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MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, JANUARY 8, 2008
8:30 am

DOCUMENTS DEPT

FEB 20 2008

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MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Michael Kim President

Commissioner Joseph D. Driscoll Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Herb Meibarger

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:40
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Kim reviewed the procedures for Public Comment. There were no comments from the public.

Commissioner Kim announced that the Mayor has accepted the resignation of Commissioner Ellington effective January 7, 2007.

REGULAR CALENDAR

1. Minutes of the December 11, 2007 Board Meeting

This item was continued to the February 12, 2008 Board meeting.

2. Old and Ongoing Business List

Clare Murphy, Executive Director, presented a written and oral report on this item.

Ms. Murphy noted that legislation is still being developed regarding implementing the Board's recommended policy on the purchase of Public Service.

The Board engaged in a question and answer session.

This was a discussion only item.

Moved by Commissioner Casciato, Seconded by Commissioner Wright to Continue the Old and Ongoing Business List.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Wright

Absent: Elsbernd

3. Review and Adoption of Actuarial Valuation as of June 30, 2007

Clare Murphy, Executive Director, Tim Marnell, Rachel Marzion and Dina Korman, Towers Perrin, presented an oral and written report on this item.

Mr. Marnell reviewed that funding status of the Plan and recommended an employer contribution of 4.99% for fiscal year 2007-2008.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to Approve the Actuarial Valuation as of June 30, 2007.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Wright

4. Determination and Approval of Credited Interest Rate for Fiscal Year 2007-2008

Clare Murphy, Executive Director, Tim Marnell, Rachel Marzion and Dina Korman, Towers Perrin, presented an oral and written report on this item.

Mr. Marnell recommended a credited interest rate of 5%.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger to Approve a Credited Interest Rate of 8% for Fiscal Year 2007-2008. The motion failed for lack of a second.

Moved by Commissioner Meiberger to Approve a Credited Interest Rate of 7% for Fiscal Year 2007-2008. The motion failed for lack of a second.

Sylvia Alvarez-Lynch addressed the Board regarding the proposed Credited Interest Rate and recommended a rate of 8%.

Ms. Murphy noted that the 5% rate recommended by Towers Perrin takes into account the interests of the members and the System; a higher credited interest rate would negatively impact those currently involved in the buy-back of prior service or paying off shortages.

Commissioner Casciato urged the Board not to take any action that would impact those paying off a shortage.

Moved by Commissioner Elsbernd, Seconded by Commissioner Wright to Approve the Credited Interest Rate of 5% for Fiscal Year 2007-2008.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Wright

Noes: Meiberger

5. Adoption of Employer Contribution Rates for FY 08-09

Clare Murphy, Executive Director, Tim Marnell, Rachel Marzion and Dina Korman, Towers Perrin, presented an oral and written report on this item.

Mr. Marnell recommended an employer contribution of 4.99% for fiscal year 2007-2008. Ms. Murphy noted that the Mayor's Office has been informed of the recommended rate and will be informed of the Board's final action.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Driscoll to Adopt the Recommended Employer Contribution Rate of 4.99% for Fiscal Year 2007-2008.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Wright

6. Governance Committee Report

Commissioner Elsbernd presented a written and oral report on this item.

The Governance Committee met on December 18th and at their meeting the Committee:

- 1) Approved the Minutes of the September 11, 2007 Governance Committee Meeting;
- 2) Reviewed and recommended to the full Board the approval of the Board Self-Evaluation Report; and,
- 3) Discussed the proposed retreat and retreat planning process. Cortex Consulting is currently soliciting retreat topics from the Board. It is anticipated that a one day retreat will be held in April, 2008.

The Board engaged in a question and answer session.

This was a discussion only item.

7. Approval of Board Self-Evaluation Report

Commissioner Elsbernd presented a written and oral report on this item.

The Board engaged in a question and answer session.

Commissioner Meiberger noted that the Charter requires the hiring of an actuary.

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Board Self-Evaluation Report.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Wright

8. Report on the Preliminary Review of the Budget for Fiscal Year 2008-2009 for the San Francisco City Employees' Retirement System

Jay Huish, Deputy Director, presented a written and oral report on this item.

The Board engaged in a question and answer session.

Commissioner Elsbernd recommended that the cost of implementing the proposed DROP program be itemized for the Board.

This was a discussion only item.

9. Preliminary Review of 2007 Annual Report

Norm Nickens, Executive Assistant, presented a written and oral report on this item.

The final annual report will be presented to the Board at the February 12, 2008 meeting for approval.

The Board engaged in a question and answer session.

This was a discussion only item.

10. Presentation of Audited Financial Statements

Jay Huish, Deputy Director, presented a written and oral report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

11. Report and Recommendations Regarding Targeted Divestment in Sudan: Level 3 of SFERS Social Investment Procedures

David Kushner, Deputy Director of Investments, and William Coaker, Senior Investment Officer, presented a written and oral report on this item.

On November 14, 2006 the Retirement Board approved Level 3 of SFERS Social Investment Procedures: Targeted Divestment in Sudan. At that meeting the Board approved criteria for divestment, as well as certain substantial action clauses that would exempt a company from divestment.

Preliminary research indicates that two additional companies, Bauer AG and Ranhill Berhad might be subject to SFERS divestment criteria regarding Sudan. Staff recommends to the Retirement Board that Staff be directed to write to both companies, requesting they tell us why our determination of their activities in Sudan is incorrect, or to tell us why they are exempt from divestment due to meeting one or more of SFERS' substantial action clauses.

Staff has determined that CHC Helicopter and the White Nile Company no longer meet SFERS' criteria for divestment. Hence, Staff recommends the Retirement Board rescind the restrictions and allow SFERS' managers to invest in both companies.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Adopt Staff Recommendation to contact Bauer AG and Ranhill Berhad, and to rescind prior restrictions and allow SFERS' managers to invest in CHC Helicopter and the White Nile Company.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Wright

12. Semi Annual Review of the Disability Retirement Hearing Process

Norm Nickens, Executive Assistant, presented a written and oral report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

13. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

13a. Voluntary Retirement Board List No. 07-07

13b. Decision of Hearing Officers

Yanira D. Alarcon Effective Date: 5/1/06	7215 General Laborer Supvrs I DPW	Ordinary Disability Retirement Granted
Williams S. Anderson Effective Date: 1/4/06	H-2 Firefighter Fire	Industrial Disability Retirement Granted
Valerie C. Burke Effective Date: 4/1/07	2302 Nursing Assistant DPH	Ordinary Disability Retirement/ Stip Granted
Martin Chong Effective Date:	8308 Sheriff's Sergeant Sheriff	PERS Granted
Lilian Dela Cruz Effective Date: 8/1/06	7372 Stationary Engineer, Sewage Plant - PUC	Ordinary Disability Retirement Denied
Roger Fang Effective Date: 7/1/06	2736 Porter DPH	Ordinary Disability Retirement Granted
Kim M. Mercer Effective Date: 3/10/07	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Joe Orengo Effective Date: 8/13/05	H-2 Firefighter Fire	Industrial Disability Retirement Granted
Robert W. Payne Effective Date: 11/1/06	H-3 Firefighter/Paramedic Fire	Industrial Disability Retirement Granted
Loretta F. Reed Effective Date: 3/1/07	1446 Secretary II Parking & Traffic	Ordinary Disability Retirement/ Stip Granted
Jeanne D. Robertson Effective Date: 7/1/03	2320 Registered Nurse DPH-SFGH	Ordinary Disability Retirement/ Stip Denied
Linda L. Von Wartburg Effective Date: 1/1/06	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Denied
Gerdellie M. Wolfert Effective Date: 3/7/07	2454 Clinical Pharmacist DPH	Ordinary Disability Retirement Granted

13c. Petition for Rehearing

Linda L. Von Wartburg Effective Date: 1/1/06	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Denied
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13d. Dismissal of Disability Retirement Application
Olga Woo – Ordinary Disability Retirement

- 13e. **Request Approval for Commissioner Meiberger to attend the Steefel's 3rd Annual Public Pension Fund Fiduciary Symposium: Negotiating the Legal Landscape, to be held on January 10-11, 2008, in San Francisco, CA.**
- 13f. **Request Approval for Travel for Commissioner Meiberger to attend the Annual Institutional Symposium (hosted by Dimensional Fund Advisors) to be held in Santa Monica, CA on January 29-31, 2008.**
- 13g. **Request Approval for Commissioner Driscoll to attend the Presenting Data and Information Course (course taught by Edward Tufte) on January 28, 2008, in San Francisco, CA.**
- 13h. **Request Approval for Travel for Commissioner David Ellington to attend the Pacific Pension 2008 Winter Roundtable, to be held on February 20-22, 2008 at Marina del Rey, CA.**
- 13i. **Resolution of Commendation for William J. Coaker II**
Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Approve the Consent Calendar, removing item 13h due to Commissioner Ellington's resignation.
Action: Approved by the following vote:
Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Wright

Commissioner Kim commended Mr. Coaker for his service.

Mr. Coaker expressed his appreciation to the Board, consultants and staff.

14. Executive Director's Report

Clare Murphy, Executive Director, presented a written and oral report on this item.

The SFUSD Payroll is current.

The Request for Proposal in Progress Blackout Period List was distributed to the Board. Ms. Murphy noted that the Enhanced Index Equity Management Services contract has been signed and the item can be removed from the list.

Educational Opportunities List was distributed to the Board.

In regard to a Litigation Update, Ms. Murphy notified the Board that Mr. William Setzler has filed suit against the City, and the Board was reminded not to discuss matters subject to litigation without consulting with the City Attorney.

Two Charter amendments have been introduced for the June ballot regarding retiree health costs and benefits enhancements. The proposals are currently being reviewed by the consulting actuary, and the proposals are expected to be considered by the Rules committee on January 24th.

A Charter amendment has been introduced by Supervisor Elsbernd for the June ballot regarding forfeiture of benefits for individuals convicted of crimes of moral turpitude in connection with their employment.

Information regarding the history of the Supplemental COLA was distributed to the Board.

The Forward Calendar was distributed to the Board.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

15. Approval of Request for Proposal for Alternative Investment Consultant

The item was continued to the February 12, 2008 Board meeting.

16. Approval of Semi-Finalists for Global Real Estate Securities Management Services

David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, Leslie Kautz, Angeles Investment Advisors, and Matt Johnson, The Townsend Group presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Semi-Finalists for Global Real Estate Securities Management Services.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Wright

Commissioner Casciato requested clarification of the Blackout Policy in regard to ING, the System's Deferred Compensation provider. Ms. Murphy noted that the Blackout Policy would only apply to discussions of Global Real Estate Securities Management Services.

17. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments (DDI) presented an oral and written report on this item.

As of December 31, 2007, the fund was valued at approximately \$16.9 billion dollars. The DDI cautioned the Board that, given the current market environment, achieving the 8% actuarial required rate of return for FY '07-'08 will be extremely difficult. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended December 31, 2007, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.

The DDI noted the Fund is in compliance with allowed ranges in all asset and sub-asset classifications.

The DDI informed the Board that the Custody RFP was issued on December 3 and publicized through various financial industry media sources. Responses are due by Friday, January 11.

The DDI informed the Board that no proxies were voted during the month.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

19. Board Member's Report

Commissioner Meiberger reported on his attendance at the Public Funds Boards Forum, December 9-11, 2007, San Francisco, CA.

Commissioner Casciato reported on his attendance at the Public Funds Boards Forum, December 9-11, 2007, San Francisco, CA.

Commissioner Meiberger commended Commissioner Ellington for his service on the Board and requested a resolution of commendation at the next Board meeting.

Commissioner Elsbernd requested a report on divestment of oil and energy companies doing business in Iran.

Commissioner Elsbernd requested a report on the recommendations from the recently released report of the Governor's Commission on Post-Employment Benefits.

Commissioner Casciato requested a report on the difference between a ten year service and vesting pension.

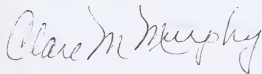
Ms. Murphy distributed the agenda for the CALAPRS Trustee Roundtable.

This was a discussion only item.

20. Adjournment

There being no further business, the Board adjourned its meeting at 10:30 AM.

Respectfully submitted,

A handwritten signature in cursive script that reads "Clare M. Murphy".

Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
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San Francisco, CA 94102

MEETING
TUESDAY, February 12, 2008
8:30 am

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RETIREMENT BOARD MEMBERS

Commissioner Michael Kim President

Commissioner Joseph D. Driscoll Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Herb Meiberger

Commissioner Richard H. Peterson, Jr.

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:40
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

- Minutes of the December 11, 2007 Board Meeting**
Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Minutes of the December 11, 2007 Board Meeting.
Action: Approved by the following vote:
Ayes: Driscoll, Peterson, Elsbernd, Kim, Meiberger, Wright, Casciato
- Minutes of the January 8, 2008 Board Meeting**
Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Approve the Minutes of the January 8, 2008 Board Meeting.
Action: Approved by the following vote:
Ayes: Driscoll, Peterson, Elsbernd, Kim, Meiberger, Wright, Casciato
- Old and Ongoing Business List**
Moved by Commissioner Casciato, Seconded by Commissioner Wright to approve the Old and Ongoing Business List.
Action: Approved by the following vote:
Ayes: Driscoll, Peterson, Elsbernd, Kim, Meiberger, Wright, Casciato
- Review and Approval of Annual Report for Fiscal Year Ending 6/30/07**
Clare Murphy, Executive Director, presented an oral and written report on this item.

Commissioner Meiberger requested two changes; on page 6, under Member Services, add to the end of the first sentence "...and their survivors", and on page 26, under "2006-07 Alternative Investments Commitments: Buyout", change "July 11, 2007", Avenue Asia Special Situations Fund IV, L.P., \$20 million, to "July 11, 2006."

Moved by Commissioner Meiberger, Seconded by Commissioner Wright to Approve Annual Report for Fiscal Year Ending 6/30/07.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Elsbernd, Kim, Meiberger, Wright, Casciato

Commissioner Kim welcomed Commissioner Peterson to the Board.

5. Employer Contribution Rate Projection 2008-2012

Clare Murphy, Executive Director, and Tim Marnell, Towers Perrin, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

6. Finance Committee Report

Commissioner Meiberger presented an oral report and written report on this item.

This was a discussion only item.

7. Final Approval of the Budget for Fiscal Year 2008-2009 for the San Francisco Employees Retirement System

Jay Huish, Deputy Director, presented an oral and written report on this item.

Commissioner Casciato inquired about DROP costs. Jay Huish, Deputy Director, informed Commissioner Casciato that there are provisions in the budget to address temporary salaries and new systems costs associated with DROP.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Peterson to approve the 2008-2009 fiscal year budget.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Elsbernd, Kim, Meiberger, Wright, Casciato

8. Retirement System Travel Expense Report for the Period Beginning October 1 through December 31, 2007.

Clare Murphy, Executive Director presented an oral and written report on this item.

Commissioner Casciato recommended the name of the report be changed to "Retirement System Education/Due Diligence Travel Expense Report."

The Board engaged in a question and answer session.

This was a discussion only item.

9. Review of Statement of Economic Interest Form 700 for the Year 2007.

Caryn Bortnick, Deputy City Attorney presented an oral and written report on this item.

Ms. Bortnick encouraged Board members to contact her with individual questions.

The Board engaged in a question and answer session.

This was a discussion only item.

10. Approval of Retirement Board Meeting Dates for 2008

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board adopted the regular schedule, second Tuesday of each month, with the exception of November. The Board will meet on the second Wednesday in November in order to accommodate the Veteran's Day holiday.

Moved by Commissioner Casciato. Seconded by Commissioner Elsbernd to approve meeting dates for 2008

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Elsbernd, Kim, Meiburger, Wright, Casciato

11. **Approval of Resolution of Commendation for Former Commissioner Ellington**

Clare Murphy, Executive Director, presented an oral and written report on this item.

Moved by Commissioner Kim. Seconded by Commissioner Driscoll to Approve Resolution of Commendation for former Commissioner Ellington.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Elsbernd, Kim, Meiburger, Wright, Casciato

12. **CONSENT CALENDAR**

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

12a. **Voluntary Retirement Board List No. 08-07**

12b. **Decision of Hearing Officers**

Janice M. Bailey Effective Date: 2/24/07	9163 Transit Operator Muni	Ordinary Disability Retirement/ Stip Granted
Rafael D. Bartolome Effective Date: 3/1/05	3417 Gardener Rec. & Park	Ordinary Disability Retirement Granted
Pamela Clark Effective Date: 8/1/06	1404 Clerk DPW	Ordinary Disability Retirement Granted
Samuel Dison	8204 Institutional Police Officer Sheriff	PERS Granted
James D. Dotson Effective Date: 3/1/06	7371 Electrical Transit System Mechanic - Muni	Ordinary Disability Retirement / Stip Granted
Kristen T. Duazo Effective Date: 3/1/07	H-2 Firefighter Fire	Industrial Disability Retirement Granted
Kenneth C. Farris Effective Date: 2/7/04	H-39 Captain Training Division Fire	Industrial Disability Retirement / Stip Granted
John W. Flaherty Effective Date: 6/16/07	Q-3 Police Officer II Police	Industrial Disability Retirement / Stip Granted
Lillie M. Gorham Effective Date: 3/8/07	3618 Library Tech. Asst. II Library	Ordinary Disability Retirement / Stip Granted

Tanya Harjan Effective Date: 9/1/06	3417 Gardener Rec. & Park	Ordinary Disability Retirement Granted
Poppie G. Kouremetis Effective Date: 12/1/05	8108 Sr. Legal Process Clerk Sheriff	Ordinary Disability Retirement Granted
Daniel H. Oliver Effective Date: 6/30/07	9345 Sheet Metal Supvr. I Airport	Ordinary Disability Retirement Granted
Lourdes Padilla Effective Date: 5/1/06	1424 Sr. Clerk Typist SFCCD	Ordinary Disability Retirement Denied
Russell Richards Effective Date: 3/1/07	H-3 Firefighter/ Paramedic Fire	Industrial Disability Retirement Granted
Henry H. Scott	8306 Sr. Deputy Sheriff Sheriff	PERS Granted
Richard G. Sheehan Effective Date: 1/14/06	Q-4 Police Officer III Police	Industrial Disability Retirement / Stip Denied
Lois G. Spivey Effective Date: 9/1/04	1426 Sr. Clerk Typist SFUSD	Ordinary Disability Retirement Denied
Richard Triggs Effective Date: 10/1/06	9163 Transit Operator Muni	Ordinary Disability Retirement / Stip Granted
Lynda K. Wagner Effective Date: 4/1/07	9131 Station Agent, Muni Muni	Ordinary Disability Retirement Granted

12c. Petition for Rehearing

Richard G. Sheehan Effective Date: 1/14/06	Q-4 Police Officer III Police	Industrial Disability Retirement / Stip Denied
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12d. Request Approval for Travel for Al Casciato, Commissioner, to Attend the 6th Annual Capital Matters: Managing Labor's Capital Conference to be held on April 16-18, 2008 in Cambridge, MA.

12e. Request Approval for Herb Meiberger, Commissioner, and other Board Members to attend the CALAPRS General Assembly, to be held on March 2-4, 2008 in Palm Springs, CA.

12f. Request Approval for Herb Meiberger, Commissioner, and other Board Members to attend The Pension Bridge Annual Conference to be held on April 9-10, 2008 in San Francisco, CA.

Commissioner Casciato requested clarification on the petition for rehearing process for item 12c. Caryn Bortnick, Deputy City Attorney explained the process to Commissioner Casciato.

Moved by Commissioner Elsbernd, Seconded by Commissioner Peterson to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Elsbernd, Kim, Meiberger, Wright, Casciato

13. **Executive Director's Report**

Clare Murphy, Executive Director, presented an oral and written report on this item.

The SFUSD Payroll is current.

The Request for Proposal in Progress Blackout Period List was distributed to the Board. Commissioner Casciato asked if the Blackout List could be posted on the website. Caryn Bortnick, Deputy City Attorney explained that all open RFP's are listed on the website, and therefore serves as the Blackout List. Ms. Murphy added that the RFP itself advises of contact limitations for SFERS Board and staff.

In regard to Litigation Update, Ms. Murphy notified the Board that the SFERS successfully litigated the Keenan vs. SFERS case which prevented final compensation spiking.

Ms. Murphy reviewed the pension components of a proposed charter amendment, proceeding through the legislative process for possible submission to the voters on the June 2008 ballot. The pension elements of the proposal include improvement to the miscellaneous member service retirement age factors. The factors change at age 60 from the current 2% to 2.1% and increase to 2.3% at age 62. Also, both the basic and supplemental cost of living allowances (colas) are enhanced. The basic cola is changed from a percent of the initial allowance to a percent of the allowance at June 30, of a given year. The supplemental cola is revised to provide supplements which when added to basic colas will total 2.5%, 3 %, or 3.5% of the June 30 allowance.

Ms. Murphy noted that the proposal included other significant changes relating to the GASB/OPEB liabilities. Supervisor Elsbernd provided a summary of those items:

1. The Health Service System eligibility requirement changes for post retirement medical coverage applicable to new hires on or after January 10, 2009.
2. The establishment of employee and employer contribution requirements to fund post retirement medical coverage applicable to new hires on or after January 10, 2009.
3. The establishment of a new Board to oversee the investment of assets to satisfy the GASB/OPEB liabilities.
4. The requirement that miscellaneous member unions agree to extend labor agreements for 2009-2010 with no wage increases.

Supervisor Elsbernd also reported that the Board of Supervisors had submitted the "moral turpitude" charter amendment to the voters for the June 2008 ballot.

The Educational Opportunities List was distributed to the Board.

Ms. Murphy notified the Board that the Annual Sunshine and Ethics Training is scheduled for March 3, 2008. All Commissioners are required to attend.

Ms. Murphy informed the Board that she will attend the CALAPRS General Assembly, held March 2 – 4, 2008, in Palm Springs and encouraged Board members to participate.

The Forward Calendar was distributed to the Board.

In regard to the February 5, 2008 Election Results, Ms. Murphy reminded the Board that the Deferred Retirement Option Program (DROP) for select police officers passed. Ms. Murphy informed the Board that staff is working to determine the impact on the SFERS.

Commissioner Casciato inquired about the impact of DROP to the SFERS budget. Ms. Murphy informed Commissioner Casciato that provisions for staff were included in the 2008-09 budget in anticipation of DROP. Staff is working to determine additional fiscal impact.

Ms. Murphy informed the Board that two finalists have been selected for interviews resulting from the RFI for Executive and Investment Staff Compensation Consulting Services.

The Board engaged in a question and answer session.

This was a discussion only item.

Break 9:40 – 9:50

The Board elected to address the Deferred Compensation Calendar before the Investment Calendar.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

23. **Motion to Modify Authority of the Deferred Compensation Committee and to allow the Board to engage in a process to randomly assign a conflicted member in order to maintain a quorum of the Board.**

Caryn Bortnick, Deputy City Attorney reviewed the Lexin case with the Board as background for this motion, and advised that the California Supreme Court had accepted the case for review. The Lexin court held that members of the San Diego Retirement Board had potential criminal liability for approving an increase in pension benefits for members by which they were also impacted. The Lexin court held that two exceptions to Government Code section 1090 traditionally relied upon by Retirement Boards to vote on contracts that affected the Board members in the same manner as the general membership were not applicable. The Lexin decision was so broad that it suggested the same analysis applied to staff members that worked on benefits contracts that potentially affected them, even where their interest was the same as the general membership.

Ms. Bortnick advised the Board that the upcoming deferred compensation contract renewal process presented a situation where four board members had a potential or actual financial interest in the contract under Lexin. If these four members were recused from voting, the Board would not have a quorum. Ms. Bortnick explained that, where as in this case, the board members were legally required to act, the Rule of Necessity would allow one randomly selected "conflicted" member to participate in the discussion in order to have a quorum. The others would be recused.

The deferred compensation contract renewal process will be ongoing for many months, and some work would normally be conducted at the Deferred Compensation Committee. Because of concerns under Lexin, the motion before the board is to reassign to itself, all aspects of the contract renewal process in place of the Deferred Compensation Committee, and to randomly select by drawing straws, one "conflicted" member to participate in all aspects of the deferred compensation contract renewal process.

Ms. Bortnick stated for the record that the potentially or actually conflicted Board members were: Commissioner Driscoll, Commissioner Meiberger, Supervisor Elsbernd, and Commissioner Casciato. Commissioner Meiberger stated that he was a member of the deferred compensation plan and had an actual conflict.

Ms. Bortnick also identified the following staff members whose jobs require them to work on the contract renewal: Clare Murphy, Carol Cypert, Jay Huish, and Norm Nickens. Ms. Bortnick also disclosed that she and Nancy Tavernit of the City Attorney's Office will also be required to work on the contract renewal. Ms. Bortnick stated, if other employees became involved in the process, they would also be disclosed on the record.

Actions required:

- 1.) Modify Authority of Deferred Compensation Committee.

Moved by Commissioner Casciato, Seconded by Commissioner Wright to Approve Request to Modify Authority of Deferred Compensation Committee.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Elsbernd, Kim, Meiberger, Wright, Casciato

- 2.) Allow the Board to engage in a process to randomly assign a conflicted member in order to maintain a quorum of the Board.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Allow the Board to engage in a process to randomly assign a conflicted member in order to maintain a quorum of the Board.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Elsbernd, Kim, Meiberger, Wright, Casciato

Commissioners Elsbernd, Driscoll, Meiberger and Casciato drew straws to determine who would participate in the meeting in order to maintain a quorum of the Board. Commissioner Driscoll was selected to act on the Board in order to maintain a quorum for future matters related to deferred compensation.

Moved by Commissioner Kim, Seconded by Commissioner Wright to recuse Commissioners Elsbernd, Casciato, and Meiberger from this session of the Board meeting, per action #2.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Kim, Meiberger, Wright

Commissioners Elsbernd, Meiberger and Casciato left the meeting at 10:00.

24. **Deferred Compensation Committee Report**

Commissioner Wright presented an oral report on this item. Recommended to the Board, Approval of the City and County of San Francisco 457(b) Deferred Compensation Plan Structure.

This was a discussion only item.

25. Approval of the City and County of San Francisco 457(b) Deferred Compensation Plan Structure.

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmussen and Jennifer Sennott Cram, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Wright, Seconded by Commissioner Peterson to Approve the City and County of San Francisco 457(b) Deferred Compensation Plan Structure using a Semi-bundled approach.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Kim, Wright,

Recused: Casciato, Elsbernd, Meiberger

26. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager presented an oral and written report on this item.

This was a discussion only item.

Commissioners Meiberger and Casciato returned to the meeting at 10:20. Commissioner Elsbernd did not return to the meeting.

INVESTMENT CALENDAR

14. Annual Report on Proxy Voting for the Year Ended December 31, 2007

Don Holcher, Senior Investment Officer (in the absence of David Kushner, Deputy Director for Investments), Mark Coleman, Security Analyst, and Fassil Michael, Managing Director of the Proxy Voting Services Division of Institutional Shareholder Services, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

15. Approval of Proxy Voting Guidelines for 2008

Don Holcher, Senior Investment Officer (in the absence of David Kushner, Deputy Director for Investments), Mark Coleman, Security Analyst, and Fassil Michael, Managing Director of the Proxy Voting Services Division of Institutional Shareholder Services, presented an oral and written report on this item.

Commissioner Kim clarified that a vote "for" on the ballot constituted a vote in support of the recommended staff position.

Action: Approval of the Recommendation for Proxy Voting Guidelines for 2008 by ballot vote:

Ayes: Driscoll, Peterson, Kim, Wright, Meiberger, Casciato

Absent: Elsbernd

Commissioner Meiberger left the meeting at 10:30.

16. Approval of Finalists for Global Real Estate Securities Management Services

At the October 9, 2007 Retirement Board meeting, the Board approved issuance of a Request for Proposal for Global Real Estate Securities Management Services. Seventeen firms, representing nineteen products, responded to the Request for Proposal. At the January 8, 2008 meeting, the Board approved five firms for further consideration. This recommendation is the culmination of this process. Details are provided in the attached memoranda.

Don Holcher, Senior Investment Officer, Leslie Kautz, Angeles Investment Advisors and Matt Johnson, The Townsend Group presented an oral and written report on this item.

Staff and Consultants confirmed that each firm will receive an allocation of \$75 million.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Approve European Investors, Inc. and ING Clarion Real Estate Securities for Global Real Estate Securities Management Services.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Kim, Wright, Casciato

Absent: Meiberger, Elsbernd

17. Approval to Commit up to \$10 million to Clarus Lifesciences II, LP

Don Holcher and Glen Schwartz, Senior Investment Officers, and Ken Wisdom and Hugh Purloff, Portfolio Advisors presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Wright, Seconded by Commissioner Casciato to Approve to commit up to \$10 million to Clarus Lifesciences II, LP.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Kim, Wright, Casciato

Absent: Meiberger, Elsbernd

18. Approval to Commit up to \$40 million in ABRY Partners VI, LP

Don Holcher and Glen Schwartz, Senior Investment Officers, and Ken Wisdom and Hugh Purloff, Portfolio Advisors presented an oral and written report on this item.

The Board engaged in a question and answer session.

The Board discussed with staff and Consultants the outlook for Media and Communication sector.

Commissioner Kim recommended to approve to commit up to \$30 million in ABRY Partners VI, LP.

Moved by Commissioner Wright, Seconded by Commissioner Casciato to approve to commit up to \$30 million in ABRY Partners VI, LP.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Kim, Wright, Casciato

Absent: Meiberger, Elsbernd

19. **Approval to Commit up to \$20 million to Actis Emerging Markets 3, LP**
Don Holcher and Glen Schwartz, Senior Investment Officers, and Ken Wisdom and Hugh Purloff, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

The Board questioned staff and consultants regarding the capacity of Actis to accept a larger commitment, and further discussed the outlook for Emerging Markets Private Equity.

Commissioner Kim recommended to approve to commit up to \$30 million to Actis Emerging Markets 3, LP.

Moved by Commissioner Casciato, Seconded by Commissioner Peterson to Approve to commit up to \$30 million to Actis Emerging Markets 3, LP.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Kim, Wright, Casciato

Absent: Meiberger, Elsbernd

20. **Approval to Commit up to €20 million (approximately \$30 million) to Advent International GPE VI, L.P.**

Don Holcher and Glen Schwartz, Senior Investment Officers, and Ken Wisdom and Hugh Purloff, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Wright, Seconded by Commissioner Driscoll to Approve to commit up to €20 million to Advent International GPE VI, L.P.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Kim, Wright, Casciato

Absent: Meiberger, Elsbernd

21. **Review and Approval of Request for Proposal for Alternative Investment Consulting Services.**

Don Holcher and Glen Schwartz, Senior Investment Officers presented an oral and written report on this item.

Clare Murphy, Executive Director and Caryn Bortnick, Deputy City Attorney, discussed RFP components related to conflict of interest and allocation procedures as found in various places within the RFP.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Approve Request for Proposal for Alternative Investment Consulting Services.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Kim, Wright, Casciato

Absent: Meiberger, Elsbernd

22. **Deputy Director for Investments Report**

Don Holcher, Senior Investment Officer (in the absence of David Kushner, Deputy Director for Investments), presented a written report on this item.

The Board did not have questions regarding this item.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

27. **Board Member's Report**

Commissioner Meiberger was not present during this portion of the meeting and therefore, did not report on his attendance at the Steefel Conference, January 10-11, 2008, San Francisco, CA, the Institutional Real Estate's VIP Conference, January 15-17, 2008, Scottsdale, AZ, or the CALAPRS Trustees' Roundtable. However, a written report was submitted.

Commissioner Driscoll reported on his attendance at the Presenting Data and Information Course, January 29, 2008, San Francisco, CA.

This was a discussion only item.

28. **Adjournment**

There being no further business, the Board adjourned its meeting at 12:00 PM.

Moved by Commissioner Casciato, Seconded by Commissioner Wright to Adjourn the meeting.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Kim, Wright, Casciato

Absent: Meiberger, Elsbernd

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, MARCH 11, 2008
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Michael Kim President

Commissioner Joseph D. Driscoll Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Commissioner Brenda Wright

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Clare M. Murphy

Executive Director

Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Kim reviewed the procedures for Public Comment. There were no comments from the public.

20. Approval of Special Meeting (Board Retreat) (Admin. Code §67.6(f))

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Peterson recommended consideration of a conference facility on Treasure Island and Commissioner Meiberger recommended a retreat space at Stern Grove.

The Board discussed possible dates for a planned Board retreat and agreed on Wednesday April 30, 2008.

Moved by Casciato, Seconded by Meiberger to hold a special meeting on April 30th at a location to be determined by staff.

Action: Approved by the following vote:

Ayes: Casciato Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

INVESTMENT CALENDAR

1. Investment Committee Report

Commissioner Driscoll, Chair of the Investment Committee, reported on the Investment Committee meeting of February 19, 2008. At their meeting the Committee:

- Approved the Minutes of the November 27, 2007 Investment Committee meeting;
- Received an educational session on the Asset Liability Modeling process. At their May, 2008 meeting the Board will receive recommendations regarding eligible asset classes, capital market assumptions, and 5-6 asset mixes to consider in full liability analysis. At their June, 2008 meeting the Board will receive recommendations regarding integrated asset and liability modeling for agreed upon asset mixes, liability modeling based on participant level data, and a revised asset allocation policy. Finally, an updated Investment Policy Statement, including sub-asset class targets, will be presented at the August, 2008 Board meeting.

The Board engaged in a question and answer session.

This was an information only item.

2. **Report on the Performance of the Retirement Fund for the Quarter Ending December 31, 2007**
David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Driscoll inquired regarding Brookfield Hyperion's underperformance, in part, due to their exposure to CMBX positions. Ms. Kautz noted that there may be a basis for reviewing the manager's investment guidelines at a future Board meeting; the manager remains on the "Under Review" list. Mr. Piket expressed his confidence in the manager.

Commissioner Meiberger expressed concern regarding Brookfield Hyperion and Mazama.

Commissioner Kim also expressed concern regarding Mazama.

Commissioner Wright noted that the Board would benefit from additional discussion regarding the process for addressing a manager's on-going underperformance.

Ms. Murphy noted that staff would review Mazama's performance and could present an updated report and recommendation to the Board at the April Board meeting. Mr. Kushner noted that meetings are scheduled with the underperforming managers, and that staff has the authority to freeze or reduce an account and to recommend the termination of a manager.

Commissioner Meiberger recommended that staff consider reducing the allocation to Mazama. Commissioners Peterson and Meiberger requested that Mazama be brought back to the Board as an action item with a staff recommendation, including the option of termination, at the April Board meeting.

This was an information only item.

3. **Report on Brokerage Commissions Generated by the Retirement Fund during the Quarter Ended December 31, 2007**
David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was an information only item.

4. **Approval to Retain Northern Trust as Comprehensive Global Custodian**
David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors presented an oral and written report on this item.

At the November 13, 2007 Board meeting the Board approved issuance of a Request for Proposal for Global Custody Services. Four firms responded to the RFP. Staff and Consultant recommend the retention of Northern Trust as Global Custodian.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Wright to Retain Northern Trust as Comprehensive Global Custodian.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

5. **Approval to Commit up to \$25 Million to Fidelity Real Estate Opportunistic Income Fund, L.P.**
David Kushner, Deputy Director for Investments, Richard Pickett, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Wright to Commit up to \$25 Million to Fidelity Real Estate Opportunistic Income Fund, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

6. **Approval of Investment Guidelines for Global Real Estate Securities Managers**
David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, Leslie Kautz, Angeles Investment Advisors, and Micolyn Yalonis, the Townsend Group presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Approve Guidelines for Global Real Estate Securities Managers.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

7. **Approval to Transfer Interest in AMB II to AMB III**
David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, the Townsend Group presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Wright left the meeting at 9:40 AM.

Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to Approve the Transfer of Interest in AMB II to AMB III.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson

Absent: Wright

Commissioner Wright returned to the meeting at 9:50 AM.

8. **Approval to Commit up to \$30 Million to Apollo VII, L.P.**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Kim noted that he has an interest in the Apollo VI Fund.

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Recuse Commissioner Kim due to potential conflict of interest.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Recused: Kim

Commissioner Kim left the meeting at 9:50 AM.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Commit up to \$30 Million to Apollo VII, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Recused: Kim

9. Approval to Commit up to \$30 Million to TPG VI, L.P.

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Recuse Commissioner Kim due to potential conflict of interest.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Recused: Kim

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Commit up to \$30 Million to TPG VI, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Recused: Kim

Commissioner Kim returned to the meeting at 10:00 AM

10. Approval to Commit up to €10 Million to Summit Partners Europe Private Equity Fund I, L.P.

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Peterson to Commit up to €10 Million to Summit Partners Europe Private Equity Fund I, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Commissioner Peterson left the meeting at 10:05 AM.

11. **Deputy Director for Investments Report**

David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item

The DDI reported:

- As of February 29, 2008, the fund was valued at approximately \$16.1 billion dollars. The DDI cautioned the Board that, given the current market environment, achieving the 8% actuarial required rate of return for FY '07-'08 will be extremely difficult. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended February 29, 2008, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI noted the Fund is in compliance with allowed ranges in all asset and sub-asset classifications.
- The DDI informed the Board that the Sr. Investment Officer – Equities position announcement was posted on February 26. Applications are due by March 19.
- The DDI informed the Board that the Alternative Investment Consultant RFP was issued on February 19, with responses due by March 14.
- The DDI informed the Board that contract negotiations with BARRA (Risk Management Systems Provider) are almost complete
- The DDI informed the Board of the following Corporate Actions on behalf of SFERS service providers:

Linda Assante, Consultant, will be leaving the Townsend Group to pursue other opportunities.

Julius Baer, manager of both a Developed Markets EAFE mandate as well as a Core Plus Fixed Income Mandate, will be pursuing an IPO of Julius Baer America and changing its name to Artio Global Management.

Steve Brink, director of Research for Mazama Capital Management (SMID Growth Equity) is retiring.

- The DDI informed the Board that no proxies were voted during the month.

The Board engaged in a question and answer session.

This was an information only item.

Commissioner Peterson returned at 10:10

REGULAR CALENDAR

12. **Minutes of the February 12, 2008 Board Meeting**

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Approve the Minutes of the February 12, 2008 Board Meeting as amended.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

13. Old and Ongoing Business List

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was an information only item.

14. Amendment of Proposed FY 2008-2009 SFERS Budget

Jay Huish, Deputy Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Wright, Seconded by Commissioner Casciato to Approve the Amendment of the Proposed FY 2008-2009 SFERS Budget.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

15. Report on Project Status of SFERS Business Plan

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish updated the Board on the status of the Review and Analysis of the Investment Division Staffing Structure and Compensation project; retreat planning; and other SFERS Business Plan Initiatives.

The Board engaged in a question and answer session.

This was an information only item.

Commissioner Elsbernd left the meeting at 10:17 AM.

16. Review and Approval of Basic Cost of Living Adjustment (COLA) for Retirees Subject to Charter Section A8.526 Effective July 1, 2008

Jay Huish, Deputy Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Basic Cost of Living Adjustment (COLA) for Retirees Subject to Charter Section A8.526 Effective July 1, 2008

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

17. Approval of RFP for Actuarial Consulting Services

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Driscoll requested clarification as to who would own any data produced. Ms. Murphy noted that the RFP and any resulting contract would specify that all data is confidential and belongs to SFERS.

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Approve the RFP for Actuanal Consulting Services.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Peterson, Kim, Meiberger, Wright

Absent: Eisbernd

18. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

18a. Voluntary Retirement Board List No. 09-07

18b. Decision of Hearing Officers

Frank P. Agius Effective Date: 10/28/06	H-20 Lieutenant Fire	Industrial Disability Retirement/ Stip Granted
Richard V. Bettiga, Jr. Effective Date: 6/2/07	9332 Pile Driver Supv. Port	Ordinary Disability Retirement Granted
Stanley A. Carroll Effective Date: 8/4/07	3632 Librarian II Library	Ordinary Disability Retirement /Stip Granted
Geoffrey Chambers	8146 Investigator DA	PERS Denied
Linda Clinton Effective Date: 6/1/07	9126 Transit Checker Muni	Ordinary Disability Retirement Granted
Thu Thuy Doan Effective Date: 5/1/07	2940 Child Protective Services Worker - DSS	Ordinary Disability Retirement Granted
Carolyn K. Gage	8304 Deputy Officer Sheriff	PERS Granted
Luis W. Hamilton Effective Date: 3/3/00	Q-3 Police Police	Industrial Disability Retirement/ Stip Denied
Steven R. Harris Effective Date: 3/24/07	Q-52 Sergeant III Police	Industrial Disability Retirement/ Stip Granted
Pedro J. Hidalgo Effective Date: 12/27/06	9704 Employment & Training Spec. III - DHS	Ordinary Disability Retirement Denied

Tan H. Lim Effective Date: 1/1/05	1637 Patients Account Clerk DPH/SFGH	Ordinary Disability Retirement Denied
Robert M. Link Effective Date: 8/20/05	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Elizabeth M. Loew Effective Date: 2/25/06	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Alfred P. Quartaroli Effective Date: 3/18/06	H-51 Asst. Deputy Chief II Fire	Industrial Disability Retirement/ Stip Denied
Robert N. Territo Effective Date: 11/21/05	H-20 Acting, Lieutenant Fire Dept	Industrial Disability Retirement/ Stip Granted
Michael F. Travis Effective Date: 8/23/03	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Denied
Linda Washington Effective Date: 8/1/07	2913 Program Specialist DHS	Ordinary Disability Retirement/ Stip Granted
Robert G. Weaver Effective Date: 5/4/06	H-3 Firefighter/Paramedic Fire	Industrial Disability Retirement/ Stip Granted

18c. Petition for Rehearing

Alfred P. Quartaroli Effective Date: 3/18/06	H-51 Asst. Deputy Chief II Fire	Industrial Disability Retirement/ Stip Denied
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18d. Dismissal of Disability Retirement Application

Timothy J. Buelow – Industrial Disability Retirement
Billy R. Smith – Industrial Disability Retirement
Sukhvinder S. Waraich – Ordinary Disability Retirement

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberg, Peterson, Wright

Absent: Elsbernd

19. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Request for Proposal in Progress Blackout Period List was distributed to the Board.

The SFUSD Payroll remains current.

A Litigation Update was provided; there are no new issues.

The Retirement and Retiree Health Charter Amendment was approved by Board of Supervisors at their last meeting; the Amendment will be submitted to the voters at the June 2008 ballot.

A Legislation Update was provided to the Board; staff continues to track Federal and State legislation related to divestment from the Islamic Republic of Iran and to track a variety of recent regulatory actions.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board.

An Update on the proposed Board Retreat was provided, only three Commissioners have completed the Cortex survey to develop the agenda to date; all Board members were encouraged to complete the survey to develop the agenda as soon as possible.

Ms. Murphy provided an update on the Executive/Investment Compensation and Structure Review process. McLagan and Associates was selected and has begun their review, including conducting interviews with designated staff and Board members. A final report and recommendations are expected at the April Board meeting.

The most recent Annual Report and Active Newsletter were distributed.

The Board engaged in a question and answer session.

This was an information only item.

Commissioner Meiberger left the meeting at 10:30 AM.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

21. **Review of the SFDCP "Semi-Annual Investment Performance Analysis" Provided by Angeles Investment Advisors.**

Carol Cypert, Deferred Compensation Manager, Andrew Rasmusen and Jennifer Sennott Cram, Angeles Investment Advisors, presented an oral and written report on this item.

Commissioner Casciato was recused by a motion at a previous meeting.

The Board engaged in a question and answer session.

Commissioner Wright noted that it may be appropriate for the Deferred Compensation Committee to review Fund selection for the SFDCP more frequently than semi-annually. Ms. Cypert and Ms. Murphy noted that funds are monitored on an on-going basis. Commissioner Wright also recommended some formatting changes for future reports.

This was an information only item.

22. **Approval of RFP for Third Party Administration and Stable Value Portfolio Manager of the SFDCP**

Carol Cypert, Deferred Compensation Manager, Andrew Rasmusen and Jennifer Sennott Cram, Angeles Investment Advisors, presented an oral and written report on this item.

Commissioner Casciato was recused by a motion at a previous meeting.

Commissioner Casciato left the meeting at 10:45 AM.

The Board engaged in a question and answer session.

Moved by Commissioner Wright, Seconded by Commissioner Driscoll to Approve the RFP for Third Party Administration and Stable Value Portfolio Manager of the SFDGP.

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Kim, Peterson, Wright

Recused: Casciato

Absent and Recused: Elsbernd, Meiberger

23. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item. The Board engaged in a question and answer session.

Ms. Cypert noted that there had been a reduction in fees on the Stable Value Account.

This was an information only item.

RETIREMENT BOARD MEMBER'S REPORT

24. Board Member's Report

Commissioner Casciato returned to the meeting at 11:05 AM.

Commissioner Casciato reported on his attendance at the NAPO Conference, January 13-16, 2008, Las Vegas, NV.

Commissioner Casciato reported on his attendance at the Focused Emerging Manager Conference, January 23-25, 2008, New York, NY.

Commissioner Meiberger submitted a written report on his attendance at the CALAPRS General Assembly, March 2, 2008, Palm Springs, CA. Ms. Murphy also reported on the General Assembly content and on the success of the meeting.

The Board engaged in a question and answer session.

This was an information only item.

25. Adjournment

There being no further business, the Board adjourned its meeting at 11:15 AM.

Moved by Commissioner Wright, Seconded by Commissioner Driscoll to Adjourn the meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Peterson, Kim, Wright

Absent: Meiberger, Elsbernd

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, APRIL 8, 2008
8:30 am

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MISSION STATEMENT

***San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.***

RETIREMENT BOARD MEMBERS

Commissioner Michael Kim President

Commissioner Joseph D. Driscoll Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiburger	Absent
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Kim reviewed the procedures for Public Comment. There were no comments from the public.

INVESTMENT CALENDAR

1. **Approval of Amended Investment Guidelines for William Blair (International Equity Manager)**
David Kushner, Deputy Director for Investments, and Leslie Kautz, Angles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Kim inquired regarding the impact of the Board's Sudan Divestment Policy. Mr. Kushner reported that no objections to the policy have been received from managers.

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Approve Amended Investment Guidelines for William Blair (International Equity Manager).

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiburger

2. **Approval of Amended Investment Guidelines for Mondrian (Emerging Markets Equity Manager)**
David Kushner, Deputy Director for Investments, and Leslie Kautz, Angles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, Seconded by Commissioner Casciato to Approve Amended Investment Guidelines for Mondrian (Emerging Markets Equity Manager).

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiburger

3. **Approval of Amended Investment Guidelines for Bridgewater Associates (Currency Overlay Manager)**

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, Seconded by Commissioner Casciato to Approve Amended Investment Guidelines for Bridgewater Associates (Currency Overlay Manager).

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiberger

4. Approval of Amended Investment Guidelines for High Yield CMBS Managers A) Hyperion and B) Pyramis Investment Advisors

David Kushner, Deputy Director for Investments, Dick Piket, Senior Investment Officer, and Leslie Kautz, Angles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Driscoll to Approve Amended Investment Guidelines for High Yield CMBS Managers A) Hyperion and B) Pyramis Investment Advisors.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiberger

5. Update on Mazama Capital Management (Smid Cap Growth Equity Manager)

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

Mr. Kushner reported that he had recently met with the manager and would be presenting a detailed report at the May Board meeting.

The Board engaged in a question and answer session.

This was an information only item.

6. Approval to Retain Portfolio Advisors as Alternative Investment Consultant

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

Commissioner Kim requested to be recused due to a potential conflict of interest.

Moved by Commissioner Peterson, Seconded by Commissioner Wright to Recuse Commissioner Kim.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiberger

Commissioner Kim left the meeting at 8:48 AM.

The Board engaged in a question and answer session.

Commissioner Wright requested additional information regarding the ranking of the bidders relative to the weighting criteria in the RFP and potential conflicts. Mr. Kushner provided a brief oral summary of the ranking of the firms who responded to the RFP.

Ms. Murphy noted that a number of firms declined the opportunity to bid on a non-discretionary account.

Commissioner Driscoll discussed the possible appearance of conflict of interest in the recommendation of investment in Fund-of-Funds. Mr. Kushner addressed the objectivity of the process.

Commissioner Wright inquired regarding the right to request reconsideration of the item if passed. Ms. Murphy noted that staff could review the bid documents with Commissioner Wright, and that a request for reconsideration could be made within thirty days.

Moved by Commissioner Elsbernd, Seconded by Commissioner Wright to Retain Portfolio Advisors as Alternative Investment Consultant.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Peterson, Wright

Absent: Meiberger

Recused: Kim

Commissioner Kim returned to the meeting at 9:10 AM.

7. **Approval to Commit up to \$30 Million to Madison Dearborn VI, LP**

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Commit up to \$30 Million to Madison Dearborn VI, LP.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiberger

8. **Approval to Commit up to \$30 Million to Riverstone/Carlyle Global Energy and Power IV, LP**

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

Commissioner Kim requested to be recused due to a potential conflict of interest.

Moved by Commissioner Casciato, Seconded by Commissioner Peterson to Recuse Commissioner Kim.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiberger

Commissioner Kim left the meeting at 9:20 AM.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Wright to Commit up to \$30 Million to Riverstone/Carlyle Global Energy and Power IV, LP.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Peterson, Wright

Absent: Meiburger

Recused: Kim

Commissioner Kim returned to the meeting at 9:22 AM.

9. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

The DDI reported:

As of March 31, 2008, the fund was valued at approximately \$16.1 billion dollars. The DDI cautioned the Board that, given the current market environment, achieving the 8% actuarial required rate of return for FY '07-'08 will be extremely difficult. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended March 31, 2008, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.

The DDI noted the cash levels appear to be outside of approved ranges. However, funding for the newly selected Global Real Estate Securities managers took place the first week of April, reducing the cash by \$150 million, with an additional \$25 million expected to fund the Fidelity Real Estate Opportunities Fund approved by the Board. With the exception of the cash position, the Fund is in compliance with allowed ranges in all asset and sub-asset classifications.

The DDI informed the Board that the Sr. Investment Officer – Equities position announcement was reissued with additional advertising in the Wall Street Journal. Applications were due by March 19, and only twelve applications were received, of which only three met the minimum requirements.

The DDI provided the Board with a written response to Commissioner Meiburger's questions related to the Internal Fixed Income Portfolio.

The DDI informed the Board that two proxies were voted during the month:

Puget Energy acquisition by Macquarie Infrastructure Partners, the Canadian Pension Plan Investment Board, and British Columbia Investment Management (**voted FOR**)

U.S. BioEnergy acquisition by VeraSun Energy Corporation (**voted FOR**)

Ms. Murphy noted that the System will have paid over \$600 million in benefits by the close of the fiscal year.

Jan Thomas, retired employee, inquired regarding the funding ratio of the plan relative to the recent market downturns. Ms. Murphy noted that a full report based on close of fiscal year data would be presented at the January 2009 meeting.

This was an information only item.

REGULAR CALENDAR

10. **Minutes of the March 11, 2008 Board Meeting**

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Approve the Minutes of the March 11, 2008 Board Meeting as amended.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiberger

11. **Old and Ongoing Business List**

Clare Murphy, Executive Director, presented an oral and written report on this item.

Ms. Murphy reported that Supervisor Elsbernd has introduced a draft ordinance related to the purchase of prior public service.

The Board engaged in a question and answer session.

This was an information only item.

12. **Semi Annual Operations Report**

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish reported on the implementation of the Deferred Retirement Option Program, which also appears as a separate item on calendar.

There has been an increase in inquiries regarding estimates of benefits as a result of recently enacted or proposed Charter Amendments.

The process for generating annual statements has initiated; the annual statements will be mailed out to members in August.

A Disaster Recovery/Business Resumption Committee has been formed and is meeting monthly. Hot site and warm site testing has begun to allow the System to generate retirement checks in the event of a local emergency. Mr. Huish noted that SFERS publications continue to encourage members to sign up for direct deposit.

A preliminary meeting will be held with the System's auditor next month; the City will be issuing an RFP for auditing services within the next few months.

The Board engaged in a question and answer session.

This was an information only item.

13. **Retirement System Travel Expense Report for the Period Ending March 31, 2008**

Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was an information only item.

14. Review and Approval of Report on Executive and Investment Division Structures and Executive and Investment Staff Compensation (Time Certain Item: 10:00 AM)

Clare Murphy, Executive Director, David Kushner, Deputy Director, and Christopher Murphy, McLagan Associates, presented an oral and written report on this item.

Ms. Murphy noted that the review of the Investment Division staffing and structure was a Board initiative and was part of the Business Plan.

Mr. Murphy presented a summary of the process and results of the report on Investment staffing and structure. This included a review of the Investment Division's organizational structure and staffing levels to ensure they are optimal given its investment and human resource objectives; a comprehensive competitive pay level analysis of investment and executive management positions at SFERS; and recommendations regarding SFERS' organizational model and possible compensation programs.

Mr. Murphy noted that the proposed hierarchy and structure provides a mechanism to develop or promote staff and create a succession management framework within the organization. The proposed model recommends the addition of a Head of Public Markets; Head of Private Markets; an additional Private Equity Senior Investment Officer; a Securities Analyst for Private Equity; and, a Securities Analyst for Real Estate.

Commissioner Kim noted that the proposed staffing model eliminates the previously proposed Senior Investment Officer for Risk, however this function could be performed by the Deputy Director for Investments in conjunction with the two Heads of Markets; Mr. Murphy agreed.

Mr. Murphy presented a summary of current industry compensation models and trends. In regard to compensation, Mr. Murphy recommended that SFERS adopt a peer group and adjust pay levels to market normals, including consideration of incentive pay opportunities.

The Board engaged in a question and answer session.

Commissioner Driscoll noted that in addition to addressing staff retention, the proposed plan also provides an opportunity to address the complexity of investment strategy through adequate allocation of human resources. Commissioner Driscoll recommended additional detail on the process for the management of risk under the proposed structure. Commissioner Wright cautioned against the creation of silos under the Heads in the proposed structure. Mr. Kushner noted that the position of Securities Analyst for Risk is maintained in the proposed structure, and will serve as a resource to the proposed Heads. Ms. Murphy noted that risk assessment would be part of any recommendation for an incentive pay structure, and that these recommendations would be presented later in the 08-09 fiscal year.

Commissioner Kim spoke in support of the recommended structure.

Moved by Commissioner Driscoll, Seconded by Commissioner Casciato to Adopt the Report on Executive and Investment Division Structures and Executive and Investment Staff Compensation.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiburger

15. Second Proposed Amendment of FY 2008-2009 Budget

Jay Huish, Deputy Director, presented an oral and written report on this item.

Ms. Murphy noted that the proposed budget amendments have been reviewed with the Mayor's Office, are based on funds currently available in the budget, and focus solely on the Investment Division. All expenses would be paid from the SFERS Trust Fund.

The Board engaged in a question and answer session.

Commissioner Elsbernd noted that he supported the recommendation, however it will be a challenge to implement given the City's overall budget situation.

Moved by Commissioner Casciato, Seconded by Commissioner Driscoll to Second Proposed Amendment of FY 2008-2009 Budget.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiburger

16. Review and Approval of Proposed Implementing Legislation Regarding the DROP Program

Clare Murphy, Executive Director and Jay Huish, Deputy Director, presented an oral and written report on this item.

Commissioner Casciato requested to be recused due to a potential conflict of interest.

Moved by Commissioner Elsbernd, Seconded by Commissioner Peterson to Recuse Commissioner Casciato.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiburger

Commissioner Casciato left the meeting at 9:52 AM.

Ms. Murphy summarized the history of the Deferred Retirement Option Program, which was approved as a voter initiative on the February 2008 ballot. The measure only applies to certain designated uniformed ranks in the Police Department. Under the terms of the Charter amendment as adopted, eligible members may begin to enroll in the program as of July 1, 2008. In order to allow the System to implement the program, draft implementing legislation has been introduced at the Board of Supervisors on behalf of SFERS.

It is anticipated that 580 officers will be eligible for DROP over the next three years; temporary staff will be hired to assist in implementing DROP. Meet and confer sessions with affected labor organizations are currently being scheduled.

The Board engaged in a question and answer session.

Moved by Commissioner Wright, Seconded by Commissioner Driscoll to Approve the Proposed Implementing Legislation Regarding the DROP Program.

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Meiberger

Recused: Casciato

Commissioner Elsbernd left the meeting at 11:00 AM.

Commissioner Casciato returned to the meeting at 11:00 AM.

17. Adjustment of Retirement Allowance – Kristen Duazo (Requires Ballot Vote)

Approved by ballot vote:

Ayes: Casciato, Driscoll, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

18. Adjustment of Retirement Allowance – Kim Mercer (Requires Ballot Vote)

Approved by ballot vote:

Ayes: Casciato, Driscoll, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

19. Approval Effective Date Industrial Disability Retirement – Joe Orengo (Requires Ballot Vote)

Approved by ballot vote:

Ayes: Casciato, Driscoll, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

20. Approval Effective Date Industrial Disability Retirement – Ernest Ware (Requires Ballot Vote)

Approved by ballot vote:

Ayes: Casciato, Driscoll, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

21. Approval of Retirement Board Retreat Agenda

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Wright to Approve the Retirement Board Retreat Agenda.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

22. Request to Approve Travel for Herb Meiberger, Commissioner, to attend the Changing Landscape – Asia's Role in Global Finance, to be held on June 18 -19, 2008, in San Francisco, CA.

Clare Murphy, Executive Director, presented an oral and written report on this item. Ms. Murphy noted that a recent Mayor's Executive Order requests limiting Board and staff travel. SFERS staff will review individual travel requests with the Mayor's Office.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Approve Travel for Herb Meiberger, Commissioner, to attend the Changing Landscape – Asia's Role in Global Finance, to be held on June 18-19, 2008, in San Francisco, CA.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

23. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

23a. Voluntary Retirement Board List No. 10-07

23b. Decision of Hearing Officers

Joseph R. Carlomagno Effective Date: 3/8/03	H-40 Battalion Chief Fire	Industrial Disability Retirement/ Stip Denied
Bonnie J. Cruz Effective Date: 9/6/05	1408 Principal Clerk DHS	Ordinary Disability Retirement/ Stip Denied
Giselle M. Guzman Effective Date: 3/1/07	1487 Financial Aid Assistant SFCCD	Ordinary Disability Retirement Granted
Paula L. Hamilton Effective Date: 1/3/08	3291 Principal Recreation Sup. Rec. & Park	Ordinary Disability Retirement/ Stip Granted
Renee L. Jones Effective Date: 7/1/06	4366 Collection Supervisor Port	Ordinary Disability Retirement/ Stip Granted
Marie Lavin Effective Date: 7/1/02	8434 Supervising Adult Prob. Officer – Adult Probation	Industrial Disability Retirement/ PERS Granted
Thomas McGee Effective Date: 12/31/04	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Denied
Richard D. Reyes Effective Date: 6/30/07	Q-62 Lieutenant III Police	Industrial Disability Retirement/ Stip Granted

23c. Petition for Rehearing

Joseph R. Carlomagno Effective Date: 3/8/03	H-40 Battalion Chief Fire	Industrial Disability Retirement/ Stip Denied
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23d. Dismissal of Disability Retirement Application

Jimmie Braden – Industrial Disability Retirement
Melvin J. Hayes, Sr. – Industrial Disability Retirement
Steve Wonder – Industrial Disability Retirement
Houston Wray – Ordinary Disability Retirement

Moved by Commissioner Casciato, Seconded by Commissioner Peterson to Approve the Consent Calendar.

Action: Approved by the following vote:

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

24. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Request for Proposal in Progress Blackout Period List was distributed to the Board.

The SFUSD Payroll remains current.

A Litigation Update was provided; there are no new issues.

A Legislation Update was provided to the Board; staff continues to track Federal and State legislation related to divestment from the Islamic Republic of Iran and to track a variety of recent regulatory actions. Implementation of DROP and transfer of Airport Police are in process.

The Sunshine Act Declaration and Ethics Training Declaration were distributed to those Board members who had previously not completed them.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board.

An Update on the proposed Board Retreat was provided.

The Board engaged in a question and answer session.

This was an information only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

25. Review of the 2007 City and County of San Francisco 457(b) Plan Annual Report Provided by ING Life Insurance and Annuity Company

Carol Cypert, Deferred Compensation Manager, and Peter Belardinelli, ING Managing Director, presented an oral and written report on this item.

Commissioner Casciato was recused by a motion at a previous meeting.

Commissioner Casciato left the meeting at 11:15 AM.

The Board engaged in a question and answer session.

Commissioner Wright commended Ms. Cypert for her efforts on behalf of the members.

This was an information only item.

26. **Deferred Compensation Manager Report**

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Commissioner Casciato was recused by a motion at a previous meeting.

The Board engaged in a question and answer session.

This was an information only item.

RETIREMENT BOARD MEMBER'S REPORT

27. **Board Member's Report**

Commissioner Peterson submitted a written report on his attendance at the CALAPRS Principles of Pension Management, March 25-28, 2008, Stanford, CA.

The Board engaged in a question and answer session.

This was an information only item.

28. **Adjournment**

There being no further business, the Board adjourned its meeting at 11:41 AM.

Moved by Commissioner Driscoll, Seconded by Commissioner Peterson to adjourn the meeting in memory of Isabel Guardado Casciato, mother of Commissioner Casciato.

Action: Approved by the following vote:

Ayes: Driscoll, Peterson, Kim, Wright

Absent: Elsbernd, Meiberger, Casciato

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

SPECIAL MEETING – BOARD RETREAT
CASA DE LA VISTA, BUILDING 271, AVENUE OF THE
PALMS, TREASURE ISLAND
WEDNESDAY, APRIL 30, 2008

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Michael Kim President

Commissioner Joseph D. Driscoll Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsberg	2:00
Commissioner Michael Kim	8:30
Commissioner Herb Meiburger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Kim reviewed the procedures for Public Comment. There were no comments from the public.

1. Review of Agenda and Retreat Process

Tom Iannucci, Cortex Applied Research, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

2. Effectiveness of the Board's Decision-Making Process

Tom Iannucci, Cortex Applied Research, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

3. Discussion Executive Director Position Characteristics

Tom Iannucci, Cortex Applied Research, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

4. Lunch Break – 12:00 – 12:15 P.M.

5. Investment Legal Risks

Thomas Hickey, Partner with the firm of Kirkpatrick & Lockhart Preston Gates Ellis, LLP, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

Commissioner Kim left the meeting at 1:00 PM.

6. Infrastructure

Asieh Mansour, Managing Director, RREEF Alternative Investments presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

Commissioner Elsbernd arrived at 2:00 PM.

7. The Baby Boom is Coming – Review of Service Model

Jay Huish, Deputy Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

8. Wrap Up and Next Steps

Tom Iannucci, Cortex Applied Research, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

9. Adjournment

There being no further business, the Board adjourned its meeting at 3:55 PM.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Clare M. Murphy".

Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, MAY 13, 2008
8:30 am

MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Michael Kim President

Commissioner Joseph D. Driscoll Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Herb Meiberger

Commissioner Richard H. Peterson, Jr.

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Kim reviewed the procedures for Public Comment. Gerry Coleman, District Attorney, requested that the Board authorize an actuarial valuation of the account balances for the District Attorney/Public Defender Investigators.

REGULAR CALENDAR

1. Minutes of the April 8, 2008 Board Meeting

Commissioner Meiberger noted that he was unable to attend the April 8, 2008 Board meeting due to an accident.

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Approve the Minutes of the April 8, 2008 Board Meeting as presented.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

2. Minutes of the April 30, 2008 Retirement Board Retreat

Moved by Commissioner Casciato, Seconded by Commissioner Driscoll to Approve the Minutes of the April 30, 2008 Board Retreat.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

3. Old and Ongoing Business List

The draft Public Service ordinance is currently pending before the Rules Committee of the Board of Supervisors.

This was an information only item.

4. Approval of Request from District Attorney/Public Defender Investigators for Authorization of an Actuarial Study

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Driscoll to Approve the Request from the District Attorney/Public Defender Investigators for Authorization of an Actuarial Study.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

5. Report on Responses to the RFP for Consulting Actuarial Services

Clare Murphy, Executive Director, presented an oral and written report on this item. On March 13, 2008, the Retirement Board approved the issuance of a Request for Proposal for Consulting Actuarial Services. On April 11, 2008, six firms submitted bids.

Following staff review of the bids submitted three firms were selected to conduct presentations before the Board.

The Board engaged in a question and answer session.

This was an information only item.

6. Presentations by Semi-Finalists to the RFP for Consulting Actuarial Services

Gene Kalwarski, Ken Kent, Anne Harper, and Matt Avery of Cheiron conducted an oral and written presentation.

Gerry Murphy, Bill Hallmark, and Michael Moehle of Mercer conducted an oral and written presentation.

Paul Angelo and John Monroe of Siegal conducted an oral and written presentation.

The Board engaged in a question and answer session.

This was an information only item.

Commissioner Elsbernd noted the wide variation in scoring on legal issues. Caryn Bortnick, Deputy City Attorney, noted that there was a wide variation in how firms responded to questions related to fiduciary relationships.

Clare Murphy, Executive Director, noted that a recommendation to enter into contract negotiations would be presented to the Board at the June Board meeting. Ms. Murphy further noted that she would contact the Board members to solicit their input prior the June meeting.

Commissioner Peterson left the meeting at 9:57 and returned at 10:00.

7. Third Proposed Amendment of FY 2008-2009 Budget

Jay Huish, Deputy Director, presented an oral and written report on this item. Mr. Huish informed the Board that the Mayor's Office and the Department of Telecommunications and Information Services (DTIS) would no longer provide services via work order effective FY 2008-2009. As a result of this decision, SFERS must transfer the bulk of the proposed DTIS work order into the department's

operating budget, including the existing applications development staff of six and two programmer consultant contracts.

The Board engaged in a question and answer session.

Commissioner Elsbernd left the meeting at 10:23.

Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to Approve the Third Proposed Amendment of the FY 2008-2009 Budget.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

8. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

8a. Voluntary Retirement Board List No. 11-07

8b. Decision of Hearing Officers

Anthony Aguilar	8304 Deputy Sheriff Sheriff	PERS Granted
Shirley T. Aurigui Effective Date: 6/1/05	2302 Nursing Assistant DPH/LHH	Ordinary Disability Retirement Granted
Philip Courtney Effective Date: 8/1/05	7346 Painter Port	Ordinary Disability Retirement Granted
Joseph L. Dutto Effective Date: 7/13/05	Q-62 Lieutenant III Police	Industrial Disability Retirement/ Stip Denied
Paul A. Falconer Effective Date: 6/27/07	0382 Inspector III Police	Industrial Disability Retirement/ Stip Granted
Elaine L. Heilshorn Effective Date: 10/1/07	2320 Registered Nurse DPH/SFGH	Ordinary Disability Retirement/ Stip Granted
Lolita V. Ortua Effective Date: 11/6/07	2310 Surgical Procedure Tech. SFGH	Ordinary Disability Retirement/ Stip Granted
Barry L. Potthoff Effective Date: 10/27/06	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Granted
David Thompson Effective Date: 6/5/06	8304 Deputy Sheriff Sheriff	PERS Denied
Laurie M. Warner Effective Date: 8/9/07	500C Court Reporter Trial Courts	Ordinary Disability Retirement Granted

Gregory C. Williams
Effective Date: 12/7/07

9122 Transit Information Clerk
Muni

Ordinary Disability Retirement/ Stip
Granted

8c. Dismissal of Disability Retirement Application:

Daniel P. Gardner – Industrial Disability Retirement
Gwendolyn D. Harden – Ordinary Disability Retirement
James P. Jones – Ordinary Disability Retirement
Kathy Linden – Industrial Disability Retirement
Kevin Tull – Ordinary Disability Retirement
Linda J. Velasquez – Ordinary Disability Retirement

8d. Request Approval to Ratify travel for Brenda Wright, Commissioner, who attended the Morgan Stanley Risk & Reward Conference, held on May 4-6, 2008, in Ft. Lauderdale, FL.

8e. Request Approval for Brenda Wright, Commissioner, to attend the National Association of Securities Professionals (NASP), to be held on June 23-25, 2008, in Philadelphia, PA.

8f. Request Approval for Caryn Bortnick, Deputy City Attorney, to attend the National Association of Public Pension Attorneys (NAPPA), on June 24-27, 2008 in Boston, MA.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

9. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Request for Proposal in Progress Blackout Period List was distributed to the Board.

The SFUSD Payroll remains current.

A Litigation Update was provided; there are no new issues, however a Closed Session item related to potential is on calendar.

Two pension related Charter Amendments will appear on the June ballot

A Legislation Update was provided to the Board; staff continues to track Federal and State legislation related to divestment from the Islamic Republic of Iran and to track a variety of recent regulatory actions. A report to the Board will be presented at the July Board meeting.

Implementation of DROP and transfer of Airport Police are in process.

An Investment Committee meeting has been scheduled for May 20, 2008. A Personnel Committee meeting has been scheduled for June 17, 2008.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board.

Election of officers will occur at the June Board meeting.

The Board engaged in a question and answer session.

This was an information only item.

Break 10:30 – 10:40

Commissioner Meiberger left the meeting at 10:30.

INVESTMENT CALENDAR

10. Semi Annual Review of Real Estate for the Period Ending December 31, 2007

David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, the Townsend Group, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

11. Approval of Real Estate Strategic Investment Plan

David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, the Townsend Group, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Approve the Real Estate Strategic Investment Plan.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

12. Approval of Real Estate Annual Investment Plan for FY '08 – '09

David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, the Townsend Group, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Wright recommended that there be additional discussion of global real estate investment at a future Investment Committee meeting. Commissioner Casciato agreed with the

recommendation. Ms. Murphy noted that this could be done at the August or November, 2008 Investment Committee meetings.

Moved by Commissioner Casciato, Seconded by Commissioner Driscoll to Approve the Real Estate Annual Investment Plan for FY '08-'09.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

13. Asset Liability Modeling Process Part I - Approval of Assumptions for ALM Process

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Ms. Kautz presented recommended the following assumptions for Asset Allocation modeling:

- Expected Return and Standard Deviation
- Correlation Assumptions
- Modeling Constraints
- Preliminary Asset Mixes for Further Review

The Board engaged in a question and answer session.

Commissioner Peterson left the meeting at 11:40 and returned at 11:43.

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Approve the Recommended Assumptions for Asset Allocation Modeling.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

14. Report on Mazama Capital Management

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Peterson, Seconded by Commissioner Driscoll to Approve the Staff Recommended for Continued Retention of Mazama Capital Management.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

15. Approval to Commit up to \$30 Million to Sankaty Credit Opportunities Fund IV, LP

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, Seconded by Commissioner Wright to Commit up to \$30 Million to Sankaty Credit Opportunities Fund IV, LP.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

16. Approval to Commit up to \$30 Million to Weston Presidio Capital VI, LP

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, Seconded by Commissioner Casciato to Commit up to \$30 Million to Weston Presidio Capital VI, LP.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

17. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

The DDI reported:

As of April 30, 2008, the fund was valued at approximately \$16.4 billion dollars. The DDI cautioned the Board that, given the current market environment, achieving the 8% actuarial required rate of return for FY '07-'08 will be extremely difficult. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended April 30, 2008, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.

The DDI noted the Fund is in compliance with allowed ranges in all asset and sub-asset classifications.

The DDI informed the Board that the Sr. Investment Officer – Equities position recruitment continues. Additionally, the DDI informed the Board that Bret Jepsen, Security Analyst – Alternatives, has tendered his resignation to pursue a very attractive opportunity in the private sector.

The DDI informed the Board that a written response to Commissioner Meiberger's questions related to items on today's Calendar will be provided as part of the DDI report at the June meeting.

The DDI provided the Board with a Memorandum from Angeles Investment Advisors detailing CDS authority still remaining with Fixed Income managers

The DDI informed the Board that three proxies were voted during the month:

PCCW Ltd. Acquisition of Pacific Century Premium Development Limited (**voted FOR**)
National Oilwell Varco acquisition of Grant Prideco Company (**voted FOR**)
Bain Capital Buyout of Bright Horizons Family Solutions (**voted FOR**)

Moved by Peterson, Seconded by Driscoll to vote SFERS proxies in favor of Bear Stearns acquisition by J.P. Morgan.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Absent: Elsbernd, Meiberger

Brenda Wright left the meeting at 11:57.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Commissioner Casciato was recused by a motion at a previous meeting.

The Board engaged in a question and answer session.

This was an information only item.

RETIREMENT BOARD MEMBER'S REPORT

19. Board Member's Report

Commissioner Meiberger submitted a written report on his attendance at the Pension Bridge, April 9-10, 2008, San Francisco, CA

Commissioner Casciato presented a written and oral report on his attendance at Capital Matters: Managing Labor's Capital Conference, April 16-18, 2008, Boston, MA

CLOSED SESSION

- 20.** Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board will meet in closed session.

CONFERENCE WITH LEGAL COUNSEL – LITIGATION
as Defendant Government Code §54956.9(b)(1); S.F. Administrative Code §67.11
(Potential Litigation)

This item was continued to the June meeting.

21. Adjournment

There being no further business, the Board adjourned its meeting at 12:03 PM.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Clare M. Murphy".

Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, JUNE 10, 2008
8:30 am

MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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Note: Items may not have been heard in the order presented on the agenda

Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Kim reviewed the procedures for Public Comment. David Page, member, spoke in support of adding additional social investment options to the 457 Deferred Compensation Program

SPECIAL ORDER OF BUSINESS

Election of Retirement Board Officers (President and Vice-President)

Moved by Commissioner Casciato, Seconded by Commissioner Wright to Elect Commissioner Driscoll as Board President for 2008-2009.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Moved by Commissioner Meiberger, Seconded by Commissioner Peterson to Elect Commissioner Wright as Board Vice-President for 2008-2009.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

REGULAR CALENDAR

1. Minutes of the May 13, 2008 Board Meeting

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Approve the Minutes of the May 13, 2008 Board Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

2. Old and Ongoing Business List

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

The draft Public Service ordinance is currently pending before the Rules Committee of the Board of Supervisors.

This was an information only item.

3. Recommendation for Approval to Commence Contract Negotiations with Finalist for Actuarial Consultant Services

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Elsbernd noted the potential for a lack of diverse opinions if Mercer were to be selected as the Consulting Actuary for the Retirement System as well as for the Health Services System, a current client of Mercer. In response to a question from Commissioner Elsbernd, Ms. Murphy noted that the majority of Segal's public sector clients in California are counties under the 1937 Act. She further noted that most of these plans were not as large and complex as SFERS.

Commissioner Meiberger noted that Segal has a number of clients in California. Ms. Murphy noted that Cheiron currently has an affiliate office in California, and the firm stated it plans to open a California office at the Board presentation. Commissioner Meiberger commented on the substantial presence of Segal in California and the years of experience of the Segal staff who presented before the Board. Commissioner Meiberger spoke in support of the bid by Segal.

Commissioner Peterson inquired regarding the possibility of requiring that Cheiron open an office in San Francisco as a contract requirement. Ms. Murphy noted that the contract was only valued at \$200,000, and recommended that Cheiron, if selected, be encouraged but not required to open an office in San Francisco. Commissioner Kim noted that most of the System's current consultants do not have an office in San Francisco.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Commence Contract Negotiations with Cheiron for Actuarial Consulting Services.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Noes: Meiberger

4. Adjustment of Retirement Allowance – Vickie Stansberry (Requires Ballot Vote)

Approved by ballot vote.

5. Request Acceptance of Gift to the Retirement System from The Institutional Real Estate Letter and to Assign Herb Meiberger, Commissioner, to Serve on the Editorial Advisory Board 2008 - 2009, and to Approve Travel to Editorial Advisory Board Meeting, to be held on September 2-4, 2008, in Half Moon Bay, CA.

Moved by Commissioner Wright, Seconded by Commissioner Meiberger to Accept a Gift to the Retirement System from The Institutional Real Estate Letter.

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Noes: Casciato

Moved by Elsbernd, Seconded by Wright to Recuse Commissioner Meiberger due to a Conflict of Interest.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Commissioner Meiberger left the meeting at 8:55 AM.

Moved by Commissioner Elsbernd, Seconded by Commissioner Peterson to Assign Herb Meiberger, Commissioner to Serve on the Institutional Real Estate Letter Editorial Advisory Board 2008 – 2009, Including the Requirement to Submit Publications Received to SFERS Within one Month of Receipt.

Action Approved by the following vote:

Ayes Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Recused: Meiberger

Commissioner Meiberger Returned to the meeting at 9:00 AM.

6. **CONSENT CALENDAR**

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

6a. **Voluntary Retirement Board List No. 12-07**

6b. **Decision of Hearing Officers**

Gordon G. Bailey Effective Date: 7/1/07	7120 Bldg & Grounds Maint. Supv. - Asian Arts	Ordinary Disability Retirement Granted
Maria R. Borja Effective Date: 4/22/06	2302 Nursing Assistant DPH-SFGH	Ordinary Disability Retirement Denied
Luis Castaneda Effective Date: 7/1/06	Q-2 Police Officer Police	Industrial Disability Retirement/ Stip Granted
Charles Collins Effective Date: 1/11/03	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Denied after Rehearing
Patrick E. Crane Effective Date: 7/15/06	H-20 Acting, Lieutenant Fire Dept.	Industrial Disability Retirement/ Stip Granted
Nadine Davanis Effective Date: 2/1/04	Q-52 Sergeant III Police	Industrial Disability Retirement/ Stip Denied
Kevin Devine Effective Date: 2/21/07	H-120 Pilot of a Fire Boat Fire	Death as a Result of Duty Granted
Stephen A. Flaherty Effective Date: 7/15/06	H-30 Captain (Fire Dept) Fire	Industrial Disability Retirement/ Stip Granted
Thomas A. Genova Effective Date: 4/22/06	2305 Psychiatric Technician DPH	Ordinary Disability Retirement Granted
Robert I. Gurman Effective Date: 7/1/06	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Granted

James E. Hickson Effective Date: 9/11/06	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Annie M. Jack Effective Date: 11/1/03	2305 Psychiatric Technician DPH	Ordinary Disability Retirement Denied
James J. Lee Effective Date: 11/16/06	H-39 Captain Div. of Training Fire	Industrial Disability Retirement/ Stip Granted
Robert D. Lopez Effective Date: 11/15/06	H-20 Lieutenant (Fire Dept) Fire	Industrial Disability Retirement/ Stip Granted
Stephen A. Martin Effective Date: 4/1/06	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Denied
Velma J. Sanford Effective Date: 8/31/06	9163 Transit Operator Muni	Ordinary Disability Retirement/ Stip Granted
Dennis Zouzounis Effective Date: 4/1/06	H-30 Captain (Fire Dept) Fire	Industrial Disability Retirement/ Stip Granted

6c. Petition for Rehearing

Maria R. Borja Effective Date: 4/22/06	2302 Nursing Assistant DPH-SFGH	Ordinary Disability Retirement Denied
Nadine Davanis Effective Date: 2/1/04	Q-52 Sergeant III Police	Industrial Disability Retirement/ Stip Denied
Annie M. Jack Effective Date: 11/1/03	2302 Psychiatric Technician DPH	Ordinary Disability Retirement Denied

6d. Dismissal of Disability Retirement Application

Gloria A. Riley – Ordinary Disability Retirement
William J. Smalley – Ordinary Disability Retirement

6e. Request Approval for Travel for Brenda Wright, Commissioner, to attend the International Investing and Emerging Markets Conference to be held on August 25-27, 2008, in San Francisco, CA.

6f. Request Approval for Travel for Al Casciato and Joe Driscoll, Commissioners, to attend the Manager Search & Selection Forum to be held on September 15, 2008, in San Francisco, CA.

Moved by Commissioner Casciato, Seconded by Commissioner Kim to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

7. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The SFUSD Payroll remains current.

The Request for Proposal in Progress Blackout Period List was distributed to the Board. Mr. Kushner noted that the Risk Management Systems Provider contract has been signed with Barra.

A Litigation Update was provided; two Closed Session items related to potential litigation are on calendar. Caryn Bortnick, Deputy City Attorney, reported that a lawsuit filed by Seltzer has been partially dismissed by a federal court; the portion of his action that was not dismissed does not relate to SFERS.

Two pension related Charter Amendments, Propositions B and C, were approved by the voters at the June 2008 ballot.

A Legislation Update was provided to the Board. A proposed Charter Amendment has been introduced at the Board of Supervisors related to the purchase of service credit for unpaid maternity leave for safety officers. The Rules Committee will initially consider the item at their June 13, 2008 meeting. Commissioner Elsbernd noted that the proposed Charter Amendment only applies to safety officers and is ambiguous on the issue of cost neutrality.

The SFERS budget for 2008-2009 has been reviewed and approved by the Board of Supervisor's Budget and Finance Committee. Funding to increase the salary level for designated positions in the Investment division was approved, however it was placed on reserve pending the completion of the related classification study being conducted by the Department of Human Resources.

The City is currently negotiating with all labor organizations in an attempt to address the current budget deficit projected for FY 2008-2009. This could result in a change in covered compensation under certain safety MOUs, resulting in increased liability for the Plan.

Implementation of DROP and transfer of Airport Police are in process. A written communication will be sent out within the next ten days to all Police officers eligible for participation in DROP. CALPERS has completed their analysis of the proposed transfer of Airport Police.

A Personnel Committee meeting has been scheduled for June 17, 2008.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board.

The Board engaged in a question and answer session.

This was an information only item.

INVESTMENT CALENDAR

8. **Report on the Investment Committee of May 20, 2008**

Commissioner Driscoll, Investment Committee Chair, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was an information only item.

9. **Report on the Performance of the Retirement Fund for the Quarter Ending 3/31/08**
David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioners Peterson and Meiberger expressed concern regarding the continued underperformance by Mazama. Mr. Kushner noted that staff continues to closely monitor the manager.

Commissioner Meiberger noted the recent losses in the securities lending program. Mr. Kushner noted that this had been discussed extensively at the May Investment Committee meeting. Commissioner Meiberger requested that Northern Trust reformat the manager monitoring report to make it more legible.

This was an information only item.

10. **Report on Brokerage Commissions Generated by the Retirement Fund during the Quarter Ended 3/31/08**

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Wright inquired regarding the availability of comparison data for other public funds. Mr. Kushner responded that he would check to see what data is available regarding other funds.

This was an information only item.

Commissioner Kim left the meeting at 9:45 AM.

Break: 9:50 – 10:03 AM

11. **Asset Liability Modeling Process Part II – Review of Asset Liability Analysis and Approval of Recommendation to Revise Asset Allocation**

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Casciato left the meeting at 11:30 AM

Commissioner Elsbernd inquired regarding next steps. Mr. Kushner noted that a review of sub-asset classes would be presented at the August 2008 Board meeting, and revised investment guidelines would be presented at the September 2008 Board meeting.

Commissioner Meiberger noted that the recommended mix increases the allocation of illiquid asset classes

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Approve Asset Allocation Mix #3 as Presented.

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Absent: Casciato, Kim

12. Semi Annual Review of Alternative Investment Program for Period Ending December 31, 2007

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was an information only item.

Commissioner Wright recommended a more detailed report on investment types by industry in future presentations.

Commissioner Casciato returned to the meeting at 11:50 AM.

13. Approval to Commit up to \$40 Million to First Reserve Fund XII, LP

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Meiberger spoke in favor of increasing the size of the proposed allocation.

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Commit up to \$40 Million to First Reserve Fund XII, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Absent: Kim

14. Approval to Commit up to \$40 Million to Five Arrows Realty Securities V, LP

David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, The Townsend Group presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Elsbernd left the meeting at 11:51 AM and returned at 11:55 AM.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Commit up to \$40 Million to Five Arrows Realty Securities V, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Absent: Kim

- 15. Approval of Investment Guidelines: A) Manager Cash (Short Term Investment Account); B) Securities Lending Collateral Investment Account; and C) Dollar Roll Investment Account**
David Kushner, Deputy Director for Investments presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Casciato noted that the proposed investment guidelines had been presented and discussed at the May 2008 Investment Committee meeting

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Approve Revised Investment Guidelines for A) Manager Cash (Short Term Investment Account); B) Securities Lending Collateral Investment Account; and C) Dollar Roll Investment Account.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Absent: Kim

- 16. Deputy Director for Investments Report**

David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

The DDI reported:

- As of May 31, 2008, the fund was valued at approximately \$16.5 billion dollars. The DDI cautioned the Board that, given the current market environment, achieving the 8% actuarial required rate of return for FY '07-'08 will be extremely difficult. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended May 31, 2008, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI noted the Fund is in compliance with allowed ranges in all asset and sub-asset classifications.
- The DDI informed the Board that the Sr. Investment Officer – Equities position recruitment continues.
- The DDI provided the Board with a written response to Commissioner Meiberger's questions related to items on the May Calendar.
- The DDI informed the Board that implementation of the BARRA system is scheduled to begin June 16.
- The DDI informed the Board that Bivium (Manager of Emerging Managers – Small Cap Core Equity) sold 25% of the firm to Rosemont Investment Partners. The sale was from existing individuals who had helped finance the company in its start-up phase.

- The DOI informed the Board that one proxy was voted during the month:

Trane, Inc. acquisition by Ingersoll Rand (voted FOR)

The Board engaged in a question and answer session.

Moved by Commissioner Peterson, Seconded by Commissioner Elsbernd that the San Francisco Employees Retirement System cast all of its proxy votes in support of the current CSX Board of Directors

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Absent: Kim

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

17. Request to Allow the Board to Engage in a Process to Randomly Assign a Conflicted Member in Order to maintain a Quorum of the Board

Clare Murphy, Executive Director, presented an oral and written report on this item.

At the July 8, 2008 Board meeting the Board will approve semi-finalists for the Third Party Administration of the City and County of San Francisco 457(b) Deferred Compensation Plan. Staff's review of the bids submitted for Third Party Administration have identified another potentially or actually conflicted Board member (Commissioner Wright) as a result of the inclusion of Wells Fargo Bank as part of a bid response, therefore the Board must engage in a random process to allow a randomly selected "conflicted" member to participate in the review and discussion of the selection of semi-finalists at the July meeting in order to have a quorum. The Board members from which the random selection will be made include Casciato, Elsbernd, Meiberger and Wright.

At the February 12, 2008 Board meeting Caryn Bortnick, Deputy City Attorney reviewed the Lexin case with the Board. Under the Rule of Necessity the Board participated in a random process to allow one randomly selected "conflicted" member to participate in the discussion in order to have a quorum; Commissioner Driscoll was selected for participation for purposes of maintaining a quorum. The other conflicted Board members were recused from participating. A similar process is now required in order to maintain a quorum.

Moved by Commissioner Elsbernd, Seconded by Meiberger to recuse Commissioner Wright due to a remote interest under Section 1090.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Absent: Kim

Moved by Commissioner Elsbernd Seconded by Commissioner Casciato to allow the Board to engage in a process to randomly assign a conflicted member in order to maintain a quorum of the Board.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Absent: Kim

Commissioner Meiberger was selected through the drawing of lots.

Commissioner Elsbernd left the meeting at 12:15 PM.

18. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Commissioner Casciato was recused by a motion at a previous meeting.

The Board engaged in a question and answer session.

This was an information only item.

RETIREMENT BOARD MEMBER'S REPORT

19. Board Member's Report

Commissioner Wright reported on her attendance at the Morgan Stanley Risk & Reward Conference, May 4-6, 2008, Ft. Lauderdale, FL.

Commissioner Meiberger reported on his attendance at the CALAPRS Trustees' Roundtable, May 30, 2008, Oakland, CA.

Commissioner Casciato recommended that staff develop a process to measure the quality assurance of the member counseling process.

Commissioner Peterson expressed his appreciation for the efforts of Commissioner Kim as Board President for 2007-2008.

CLOSED SESSION (Time Certain – 10:00 AM)

- 20.** Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board will meet in closed session.

CONFERENCE WITH LEGAL COUNSEL – LITIGATION
as Defendant Government Code §54956.9(b)(1); S.F. Administrative Code §67.11
(2 Cases, Potential Litigation – Frediani, Thompson)

Frederick Brown, Attorney for Mr. Frediani, addressed the Board. Mr. Frediani retired after 31 years of service with SFPD, and has been subject to a recovery of Worker's Comp amounts paid to him. Mr. Brown noted that this constitutes a hardship for Mr. Frediani, and believes that the Board should consider the fairness of the recovery for injuries incurred well before he retired. Mr. Brown noted that Mr. Frediani was prepared to seek a writ in Superior Court unless the Retirement Board authorized the City Attorney to settle the matter.

Mr. Frediani addressed the Board regarding his situation, distributed correspondence he had sent to the System, and addressed the fairness of the law allowing the recovery.

Mr. Brown noted that the City is recovering for injuries occurred in 1988, 1989 and 2003.



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

TUESDAY, JULY 8, 2008
8:30 am

MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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AUG 18 2008

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Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Minutes of the June 10, 2008 Board Meeting

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Minutes of the June 10, 2008 Board Meeting as amended.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

2. Old and Ongoing Business List

The draft Public Service ordinance is currently pending before the Rules Committee of the Board of Supervisors.

This was an information only item.

3. Approval of Presidential Appointments to Retirement Board Committees

Joseph Driscoll, President, presented an oral and written report on this item.

As provided in the President's Terms of Reference, the President shall recommend to the Board the appointment of trustees and a chair to each standing or ad hoc board committee by the following board meeting after the President is elected. Commissioner Driscoll recommended:

<u>Committee</u>	<u>Chair</u>	<u>Members</u>
Investment	Kim	Committee of the Whole (All)
Finance	Casciato	Peterson, Wright
Governance	Elsbernd	Casciato, Meiberger
Personnel	Kim	Driscoll, Wright

At the Retirement Board meeting of February 12, 2008 the Deferred Compensation Committee was suspended. Should the conditions necessitating the suspension be resolved, President Driscoll will appoint committee members.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Approve the Presidential Appointments to Retirement Board Committees.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Peterson, Elsbernd, Kim, Meiberger, Wright

4. Report on April 30, 2008 Board Retreat

Clare Murphy, Executive Director, and Tom Iannucci, Cortex Applied Research, presented an oral and written report on this item. Mr. Iannucci presented a summary of the April 30, 2008 Board retreat.

The Board engaged in a question and answer session.

Commissioner Meiberger discussed the level of staff involvement in the proposed Infrastructure presentation. Mr. Iannucci noted the Infrastructure presentation could be coordinated as part of the development of an overall Board education plan.

Commissioner Wright suggested that the Board be surveyed to determine the subjects and scheduling for educational presentations. Ms. Murphy noted that the Board currently has multiple mechanisms for recommending education sessions, and that the Governance Committee was being recommended to review and determine an overall education plan. Mr. Iannucci noted that the Board needs a simplified process to determine the priority of topics for educational sessions.

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Approve the Recommendations from the Retreat.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Peterson, Elsbernd, Kim, Meiberger, Wright

5. Review of Iran Divestment Legislative Initiatives

Clare Murphy, Executive Director, and David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

Mr. Kushner summarized the current status of federal and State legislation related to divestment from Iran. The federal government and at least 26 states are currently considering divestment related legislation. Only the state of Florida has developed a list of companies subject to divestment.

Staff recommended that the Board continue to monitor this issue.

The Board engaged in a question and answer session.

Commissioner Casciato recommended that a follow-up report be presented to the Board in January, 2009.

Commissioner Meiberger noted the complexity of the issue.

Commissioner Wright inquired if there were any legal issues involved. Caryn Bortnick, Deputy City Attorney, noted the Board's fiduciary duties. Commissioner Wright spoke in support of continued monitoring of the issue of Iran divestment. Ms. Murphy noted that there are no current legal requirements, state or federal, for SFERS to divest.

This was a discussion only item.

6. Report on the Personnel Committee Meetings of June 17 and July 8, 2008

Commissioner Casciato, Chair of the Personnel Committee, presented an oral and written report on this item.

Commissioner Casciato reported that the Personnel Committee met on June 17th and July 8th, 2008. At their meetings the Committee:

- Approved the Minutes of March 18 and June 17, 2008.
- Met in Closed Session and directed that the survey of general management performance be sent to all Board Members with a Requirement to Respond by June 27, 2008 and recommended that 360° Performance Evaluations be incorporated for Executive Management of SFERS for the 2008-2009 Period.
- Recommended approval of the Pay-For-Performance award for the Executive Director.

The Board engaged in a question and answer session.

Commissioner Driscoll noted that the Committee had also recommended a 360° evaluation process apply to all Senior Staff.

Moved by Commissioner Casciato, Seconded by Commissioner Wright to Approve the Pay-for-Performance Award for the Executive Director.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Peterson, Elsbernd, Kim, Meiberger, Wright

7. Semi Annual Review of the Disability Application Process

Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

8. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

8a. Voluntary Retirement Board List No. 1-08

8b. Decision of Hearing Officers

Robert Costa Effective Date: 5/8/08	H-120 Pilot of Fire Boat Fire	Industrial Disability Retirement/ Stip Granted
Robert H. Glembot Effective Date: 11/3/07	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Rowena P. Gracia Effective Date: 10/1/07	2736 Porter DPH	Ordinary Disability Retirement Granted
Melyssa Jo Kelley Effective Date: 10/10/07	1232 Training Officer DHS	Ordinary Disability Retirement Granted
Thomas J. Martin Effective Date: 6/30/07	Q-52 Sergeant III Police	Industrial Disability Retirement/ Stip Denied
Robert E. Mattox Effective Date: 7/30/05	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Thomas F. Moore Effective Date: 6/21/08	Q-4 Police Officer III Police	Industrial Disability Retirement Granted
Wilma D. Outerbridge Effective Date: 7/12/06	2320 Registered Nurse DPH/LHH	Ordinary Disability Retirement Granted
James A. Sims Effective Date: 7/1/04	9139 Transit Supervisor Muni	Ordinary Disability Retirement/ Stip Denied
Matthew P. Tonsing Effective Date: 7/24/07	Q-2 Police Officer Police	Industrial Disability Retirement Granted

8c. Dismissal of Disability Retirement Application

Ilene Allen – Ordinary Disability Retirement
Paul L. Detimofeev – Industrial Disability Retirement
Mary P. Miller – Ordinary Disability Retirement

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

9. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Request for Proposal in Progress Blackout Period List was distributed to the Board.

The SFUSD Payroll remains current.

A Legislation Update was provided to the Board. The Public Service ordinance is still in Committee before the Board of Supervisors. A Charter Amendment has been introduced by Supervisor Alioto-Pier for the November 2008 ballot. The measure would allow members to purchase time from unpaid leaves of absence related to pregnancy. The proposed amendment is currently before the Rules Committee.

The 2008-2009 City budget has been submitted by the Mayor, and is currently pending before the Board.

Implementation of DROP and study of the transfer of Airport Police are in process. SFERS has sent notices to 460 members of the Police Department of their eligibility for DROP. Commissioner Casciato noted that SFPD has not yet provided guidance to officers and that this may impact the number of officers electing to participate in DROP. In regard to the proposed transfer of the Airport Police, SFERS staff are in contact with CALPERS and the transfers are not expected to occur prior to October 1, 2008. Staff is currently awaiting additional information from CALPERS.

Commissioner Meiberger inquired regarding any potential Board member conflicts of interest related to DROP. Caryn Bortnick, Deputy City Attorney, noted that DROP was adopted by a voter initiated Charter Amendment. She further noted that Commissioner Casciato had been recused from participating in the Board's review and approval of implementing legislation. Commissioner Elsbernd requested periodic reports to the Board of Supervisors on the number of officers electing to participate in DROP. Ms. Murphy agreed to provide quarterly reports.

Ms. Murphy noted that contract negotiation has been completed with Cheiron, the new consulting actuary. A report will be presented to the Board at the October or November meeting.

Ms. Murphy noted that the August Board meeting would include presentations by the four finalists for the Deferred Compensation program. Caryn Bortnick, Deputy City Attorney, noted that all four non-conflicted Board members must be present at the August meeting in order to maintain a quorum.

A Litigation Update was provided; there is no new litigation.

An Investment Committee meeting has been scheduled for August 19, 2008.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board. Ms. Murphy noted that she would be contacting all Committee Chairs to set a schedule for Committee meetings.

The Board engaged in a question and answer session.

This was an information only item.

INVESTMENT CALENDAR

10. **Approval to Commit up to \$10 Million to Interwest Partners X**
David Kushner, Deputy Director for Investments, and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

In order to avoid the appearance of conflict due to personal relationships, Commissioner Kim requested to be recused.

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Recuse Commissioner Kim.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Commissioner Kim left the meeting at 9:35 AM.

The Board engaged in a question and answer session.

Commissioner Wright inquired regarding the level of due diligence performed on the recommended investment. Mr. Kushner noted that the investment had been reviewed by Bret Jepson prior to his departure from SFERS.

Moved by Commissioner Elsbernd Seconded by Commissioner Peterson to Commit up to \$10 Million to Interwest Partners X.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson,

Noes: Wright

Recused: Kim

Commissioner Kim returned to the meeting at 9:50 AM.

11. Approval to Commit up to €20 Million to Clessidra Capital Partners II

David Kushner, Deputy Director for Investments, and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd Seconded by Commissioner Casciato to Commit up to €20 Million to Clessidra Capital Partners II.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

12. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

- As of June 30, 2008, the fund was valued at approximately \$15.8 billion dollars, returning -2.9% for the fiscal year. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended June 30, 2008, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI noted that at month end Large Cap Growth Equities slightly exceeded allowed ranges, and direction has already been given to raise approximately \$30 million from this sub-asset class.
- The DDI informed the Board that the Sr. Investment Officer – Equities position recruitment continues.
- The DDI informed the Board that implementation of the BARRA system continues.

- The DDI informed the Board (in response to an inquiry from Commissioner Wright) that the service providers contacted by Staff do not provide information on allocation of commissions to emerging brokerage firms; these providers only collect information related to cost of trading with such firms.
- The DDI informed the Board that one proxy was voted during the month:

Countrywide Financial Corp. acquisition by Bank of America (voted FOR)

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Adopt a Technical Correction to the Investment Guidelines for Bridgewater Associates (Currency Manager).

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

RETIREMENT BOARD MEMBER'S REPORT

13. Board Member's Report

Commissioner Herb Meiberger submitted a written report on his attendance at the Changing Landscape Conference, June 18-19, 2008, San Francisco, CA

Commissioner Brenda Wright submitted a written report on her attendance at the NASP Conference, June 23-26, 2008, Philadelphia, PA

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Adjourn in Memory of Anthony G. Sacco.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

CLOSED SESSION

14. Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board will meet in closed session.

PUBLIC EMPLOYEE APPOINTMENT/PUBLIC EMPLOYEE EMPLOYMENT

(Government Code section 54957; Administrative Code section 67.10)

Review of Executive Director's Performance

A Closed Session was not held.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

15. **Approval of Semi-Finalists for Third Party Administration and Stable Value Manager(s) of the City and County of San Francisco 457(b) Deferred Compensation Plan.**
Carol Cybert, Deferred Compensation Manager, and Andrew Rasmussen, Angeles Investment Advisors, presented an oral and written report on this item.

Commissioners Casciato, Elsbernd, and Wright were recused by a motion at a previous meeting.

Ms. Cypert noted that 4 bids were received for Third Party Administrator; one vendor (CitiStreet) has subsequently withdrawn. 18 bids were received for the Stable Value fund.

The three finalists for Third Party Administration have been invited to present at the August 12, 2008 Board meeting. Five Stable Value fund managers have been invited to present before the RFP review panel on August 14. The finalists are:

Third Party Administrator
Great West Retirement Services
ING Life Insurance and Annuity Company
Prudential Retirement

Stable Value Managers
Alliance Bernstein
Dwight Asset Management
Fidelity Investments
JP Morgan Asset Management
Pacific Investment Management Company (PIMCO)

The Board engaged in a question and answer session.

In response to a question from Commissioner Driscoll, Ms. Murphy noted that a standardized set of questions would be prepared for the Board's use at the August 12, 2008 presentations.

Moved by Commissioner Meiberger, Seconded by Commissioner Kim to Approve the Semi-Finalists for Third Party Administration and Stable Value Manager(s) of the City and County of San Francisco 457(b) Deferred Compensation Plan.

Action: Approved by the following vote:

Ayes: Driscoll, Kim, Meiberger, Peterson

Recused: Casciato, Elsbernd, Wright

16. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was an information only item.

17. Adjournment

There being no further business, the Board adjourned its meeting at 10:20 AM.

Respectfully submitted,


Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, AUGUST 12, 2008
8:30 am

MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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SEP 18 2008

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Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Minutes of the July 8, 2008 Board Meeting

Moved by Commissioner Elsbernd, Seconded by Commissioner Wright to Approve the Minutes of the July 8, 2008 Board Meeting as amended.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

2. Old and Ongoing Business List

Jay Huish, Deputy Director, presented an oral and written report on this item.

The draft Public Service ordinance is currently pending before the Rules Committee of the Board of Supervisors.

This was an information only item.

3. Retirement System Travel Expense Report for the Period Ending June 30, 2008

Norm Nickens, Executive Assistant, presented a written report on this item.

This was an information only item.

4. **CONSENT CALENDAR**

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

4a. Voluntary Retirement Board List No. 2-08

4b. Decision of Hearing Officers

Paul Cho	2453 Supervising Pharmacist	Ordinary Disability Retirement
Effective Date: 4/25/08	DPH	Granted
Preciousa M. Cu	2320 Registered Nurse	Ordinary Disability Retirement

Effective Date: 3/1/06	DPH	Denied
Ma. Sabrina Dela Merced Effective Date: 8/1/06	2320 Registered Nurse DPH/SFGH	Ordinary Disability Retirement/ Stip Granted
Marian B. Hyson Effective Date: 1/3/08	9163 Transit Operator Muni	Ordinary Disability Retirement Granted
Julia M. Jones Effective Date: 8/1/07	9163 Transit Operator Muni	Ordinary Disability Retirement Granted
Marty Laguillo Effective Date: 6/1/06	7311 Cement Mason DPW	Ordinary Disability Retirement Denied
Angelina R. Matawaran Effective Date: 8/31/07	2302 Nursing Assistant LHH	Ordinary Disability Retirement Granted
Morrell L. Smith Effective Date: 4/1/05	2409 Pharmacy Technician DPH/SFGH	Ordinary Disability Retirement /Stip Denied
Tory D. Smith Effective Date: 6/13/08	1053 IS Business Analyst DTIS	Ordinary Disability Retirement Granted
Elaine F. Tope Effective Date: 2/1/07	5291 Planner III City Planning	Ordinary Disability Retirement Granted
Michael M. Walsh Effective Date: 6/30/07	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Granted
Ilene S. Zolt Effective Date: 1/2/04	2806 Disease Control Investigator - DPH	Ordinary Disability Retirement /Stip Denied

4c. Petition for Rehearing

Ilene S. Zolt Effective Date: 1/2/04	2806 Disease Control Investigator - DPH	Ordinary Disability Retirement /Stip Denied
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4d. Dismissal of Disability Retirement Application

Cheryl E. Walker-Johnson – Ordinary Disability Retirement

4e. Request Approval for Travel for Herb Meiberger, Commissioner to attend the Art of Indexing 2008, to be held on September 22-23, 2008 in Washington, D.C.

4f. Request Approval for Travel for Michael Kim, Commissioner, to attend the Pensions Bridge Alternatives Conference, to be held on October 7-8, 2008 in Pasadena, CA.

4g. Request Approval for Travel for Herb Meiberger, Commissioner, and other Board Members, to attend the Pensions & Investments Defined Contribution Conference, to be held on October 19-21, 2008 in San Francisco, CA.

4h. Request Approval for Travel for Al Casciato, Commissioner, to attend the 54th Annual Employee Benefit Conference to be held on November 16-19, 2008 in San Antonio, TX.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

5. **Executive Director's Report**

Jay Huish, Deputy Director, presented an oral and written report on this item.

The Request for Proposal in Progress Blackout Period List was distributed to the Board.

The SFUSD Payroll remains current, although they continue to experience reporting difficulties. Annual statements will be mailed in August.

There was no new litigation reported.

A Legislation Update was provided to the Board. The Public Service ordinance is still in Committee before the Board of Supervisors. A Charter Amendment has been introduced by Supervisor Alioto-Pier for the November 2008 ballot. The measure would allow members to purchase time from unpaid leaves of absence related to pregnancy.

Commissioner Meiberger inquired if the measure would be cost neutral to the City. Mr. Huish responded that the measure was drafted to be cost neutral.

The City's 2008-2009 budget has been signed by the Mayor. Staff are preparing for the additional IT staff to be transferred to SFERS.

Implementation of DROP and study of the transfer of Airport Police are in process. A quarterly report on the implementation of DROP will be presented at the September Board meeting. Staff continues to work with CalPERS regarding the planned transfer of Airport Police

Basic COLA for most retiree groups was paid in the July 31, 2008 retirement check.

Staff has met with the City's Department of Technology regarding recent security issues. SFERS data was not affected by the recent problems.

An Investment Committee meeting has been scheduled for August 19, 2008.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board.

The Board engaged in a question and answer session.

This was an information only item.

INVESTMENT CALENDAR

6. **Approval to Commit up to €20 Million to Apollo European Principal Finance, L.P.**

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger Seconded by Commissioner Elsbernd to Commit up to €20 Million to Apollo European Principal Finance, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

7. Approval to Commit up to \$30 Million to Towerbrook Investors III, LP

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd Seconded by Commissioner Casciato to Commit up to \$30 Million to Towerbrook Investors III, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

8. Approval to Increase CapMark Value 50/50 Co-Investment Program by \$25 Million

David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, The Townsend Group, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger Seconded by Commissioner Casciato to Increase CapMark Value 50/50 Co-Investment Program by \$25 Million.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

9. Approval to Increase CapMark High Return 50/50 Co-Investment Program by \$37.5 Million

David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, The Townsend Group, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato Seconded by Commissioner Elsbernd to Increase CapMark High Return 50/50 Co-Investment Program by \$37.5 Million.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

10. Approval of Revised Investment Guidelines for Causeway Capital Management (International Value Equity Manager)

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Meiberger stated that he would vote against the recommendation because it creates the opportunity to concentrate the investment portfolio.

Moved by Commissioner Casciato Seconded by Commissioner Elsbernd to Approve Revised investment guidelines for Causeway Capital Management (International Value Equity Manager).

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Noes: Meiberger

11. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The DDI reported:

- As of July 31, 2008, the fund was valued at approximately \$15.6 billion dollars, returning - 1.2% for the first month of the fiscal year. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended July 31, 2008, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI noted the Fund is in compliance with allowed ranges in all asset and sub-asset classifications.
- The DDI informed the Board that an offer was made and accepted for the Sr. Investment Officer – Equities position. The new individual is expected to begin employment in mid-September.
- The DDI informed the Board that implementation of the BARRA system continues.
- The DDI informed the Board that one proxy was voted during the month:

Electronic Data Systems acquisition by Hewlett Packard (**voted FOR**)

The Board engaged in a question and answer session.

Commissioner Kim inquired regarding the status of Mazama. Mr. Kushner noted that there has been some recent improvement in their performance, however they remain under watch and a report will be presented to the Board at the September meeting.

Moved by Commissioner Casciato. Seconded by Commissioner Elsbernd that the San Francisco Employees' Retirement System cast all of its proxy votes in support of the merger of Bronco Drilling Company, Inc. and Allis-Chalmers Energy, Inc.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

12. Semi-Finalist Presentations for Third Party Administration of the City and County of San Francisco 457(b) Deferred Compensation Plan

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmussen, Angeles Investment Advisors, presented an oral and written report on this item.

Caryn Bortnick, Deputy City Attorney, noted that Commissioners Casciato, Elsbernd, and Wright were recused by a motion at a previous meeting as a result of the Lexin decision. Ms. Bortnick disclosed that Dick Piket, Senior Investment Officer, and Liz Garcia, Controller's Office, have been involved in the review of the RFP responses.

Commissioner Driscoll provided an opportunity for comments from the public; there were no comments or questions from the public.

Board members were provided with outlines of the topics to be covered in the presentation and score sheets for the presentations.

Presentations were conducted by the three semi-finalists for Third Party Administration of the City and County of San Francisco 457(b) Deferred Compensation Plan:

- Great West Retirement Services (9:15 – 10:15 AM)
- ING Life Insurance and Annuity Company (10:20 – 11:20 AM)
- Prudential Retirement (11:30 AM – 12:20 PM)

The Board engaged in a question and answer session.

Commissioner Driscoll requested clarification regarding the process for additional due diligence following the Board meeting. Mr. Huish indicated that the Board could submit additional questions to staff and the information would be provided before or at the September Board meeting. Ms. Cypert noted that the RFP review team would be receiving additional presentations specifically related to Stable Value Fund options.

Ms. Cypert noted that a recommendation regarding the selection of the finalist for Third party Administration will be presented at the September 9, 2008 Board meeting.

This was a discussion only item.

13. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented a written report on this item.

RETIREMENT BOARD MEMBER'S REPORT

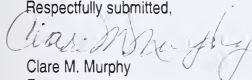
14. Board Member's Report

Commissioner Casciato requested an update on the System's effort to address customer satisfaction.

15. Adjournment

There being no further business, the Board adjourned its meeting at 12:35 PM.

Respectfully submitted,


Clare M. Murphy
Executive Director

Commissioner Meiberger stated that he would vote against the recommendation because it creates the opportunity to concentrate the investment portfolio.

Moved by Commissioner Casciato Seconded by Commissioner Elsbernd to Approve Revised investment guidelines for Causeway Capital Management (International Value Equity Manager).

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Noes: Meiberger

11. **Deputy Director for Investments Report**

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The DDI reported:

- As of July 31, 2008, the fund was valued at approximately \$15.6 billion dollars, returning - 1.2% for the first month of the fiscal year. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended July 31, 2008, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI noted the Fund is in compliance with allowed ranges in all asset and sub-asset classifications.
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- The DDI informed the Board that implementation of the BARRA system continues.
- The DDI informed the Board that one proxy was voted during the month:

Electronic Data Systems acquisition by Hewlett Packard (**voted FOR**)

The Board engaged in a question and answer session.

Commissioner Kim inquired regarding the status of Mazama. Mr. Kushner noted that there has been some recent improvement in their performance, however they remain under watch and a report will be presented to the Board at the September meeting.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd that the San Francisco Employees' Retirement System cast all of its proxy votes in support of the merger of Bronco Drilling Company, Inc. and Allis-Chalmers Energy, Inc.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

12. **Semi-Finalist Presentations for Third Party Administration of the City and County of San Francisco 457(b) Deferred Compensation Plan**

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmussen, Angeles Investment Advisors, presented an oral and written report on this item.

Caryn Bortnick, Deputy City Attorney, noted that Commissioners Casciato, Elsbernd, and Wright were recused by a motion at a previous meeting as a result of the Lexin decision. Ms. Bortnick disclosed that Dick Piket, Senior Investment Officer, and Liz Garcia, Controller's Office, have been involved in the review of the RFP responses.

Commissioner Driscoll provided an opportunity for comments from the public; there were no comments or questions from the public.

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Presentations were conducted by the three semi-finalists for Third Party Administration of the City and County of San Francisco 457(b) Deferred Compensation Plan:

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- Prudential Retirement (11:30 AM – 12:20 PM)

The Board engaged in a question and answer session.

Commissioner Driscoll requested clarification regarding the process for additional due diligence following the Board meeting. Mr. Huish indicated that the Board could submit additional questions to staff and the information would be provided before or at the September Board meeting. Ms. Cybert noted that the RFP review team would be receiving additional presentations specifically related to Stable Value Fund options.

Ms. Cybert noted that a recommendation regarding the selection of the finalist for Third party Administration will be presented at the September 9, 2008 Board meeting.

This was a discussion only item.

13. Deferred Compensation Manager Report

Carol Cybert, Deferred Compensation Manager, presented a written report on this item.

RETIREMENT BOARD MEMBER'S REPORT

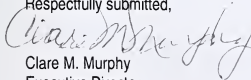
14. Board Member's Report

Commissioner Casciato requested an update on the System's effort to address customer satisfaction.

15. Adjournment

There being no further business, the Board adjourned its meeting at 12:35 PM.

Respectfully submitted,


Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, SEPTEMBER 9, 2008
8:30 am

MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	Absent

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Minutes of the August 12, 2008 Board Meeting

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Minutes of the August 12, 2008 Board Meeting as amended.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson

Absent: Wright

2. Old and Ongoing Business List

Clare Murphy, Executive Director, presented an oral and written report on this item.

The draft Public Service ordinance is currently pending before the Government Efficiency & Audit Committee of the Board of Supervisors. Staff will be working with Supervisor Elsbernd to move the item forward through the legislative process.

This was an information only item.

3. Request to Enclose Combined Charities Campaign Correspondence in the October Retirement Allowances

Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Retirement Board has previously approved inclusion of correspondence in the retirement allowances asking retired City employees to participate in the City's annual Combined Charities campaign.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Approve the Request to Enclose Combined Charities Campaign Correspondence in the October Retirement Allowances.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson

Absent: Wright

4. Introduction of Consulting Actuary

Clare Murphy, Executive Director, presented an oral and written report on this item.

Ms. Clare Murphy introduced Gene Kalwarski, CEO, and Kenneth Kent, Consultant, with the Board's recently selected consulting actuary, Cheiron.

Mr. Kalwarski summarized the history of the firm, experience of the principals who will be working with the System, the fundamentals of the actuarial valuation process, the recent actuarial history of the Fund, and current issues in the actuarial environment.

Current issues in the actuarial environment include governance, liability measurements/disclosures, defined contribution pressures, "creative" financing, and IRS review of plans.

The Board engaged in a question and answer session.

This was a discussion only item.

5. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

5a. Voluntary Retirement Board List No. 3-08

5b. Decision of Hearing Officers

Leslie Ackerman Effective Date: 1/2/03	H-1 Firefighter Fire	Industrial Disability Retirement/ Stip Granted
James T. Deely Effective Date: 6/30/07	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Julia M. Glasper Effective Date: 12/1/07	2302 Nursing Assistant DPH	Ordinary Disability Retirement Granted
Wayne L. Hess Effective Date: 10/1/07	8310 Sheriff's Lieutenant Sheriff	PERS Granted
Daniel Jacobsmeyer Effective Date: 8/27/05	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Denied
Wilma J. King Effective Date: 10/3/06	2760 Laundry Worker DPH	Ordinary Disability Retirement/ Stip Granted
Luisa M. Laboriel Effective Date: 1/1/08	2905 Sr. Eligibility Worker DHS	Ordinary Disability Retirement Granted
Elizabeth Landa Effective Date: 2/1/07	9163 Transit Operator Muni	Ordinary Disability Retirement Granted

Robert L. Mangosing Effective Date: 1/3/08	0380 Inspector Police	Industrial Disability Retirement/ Stip Granted
James P. McCoy Effective Date: 7/31/08	Q-4 Police Officer III Police	Industrial Disability Retirement Granted
Glendon A. Melanson Effective Date: 5/20/08	Q-4 Police Officer III Police	Industrial Disability Retirement Granted
William A. Oswald Effective Date: 11/1/07	H-3 Firefighter/Paramedic Fire	Industrial Disability Retirement Granted
Stephen C. Smith Effective Date: 1/20/07	H-30 Captain, Fire Dept. Fire	Industrial Disability Retirement/ Stip Granted
Janita Wallace Effective Date: 4/17/08	2905 Sr. Eligibility Worker DHS	Ordinary Disability Retirement Granted
Ingrid C. Wheat Effective Date: 1/26/08	1406 Sr. Clerk Parking & Traffic	Ordinary Disability Retirement Granted

5c. Petition for Rehearing

Daniel Jacobsmeyer Effective Date: 8/27/05	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Denied
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Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson

Absent: Wright

6. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The SFUSD Payroll remains current, although they continue to experience reporting difficulties. Annual statements were mailed in August.

The City is preparing to roll out eMerge, a new integrated human capital management system. The project is currently on time and on budget, periodic updates on implementation will be presented to the Board.

The Request for Proposal in Progress Blackout Period List was distributed to the Board.

There was no new litigation reported.

A Legislation Update was provided to the Board. The Public Service ordinance is still in Committee before the Board of Supervisors.

The City is projecting a significant budget shortfall for FY 2009-2010, and it is likely that there will be mid-year revisions to the current budget. Staff is moving forward with filling current vacancies in the Operations and Investment divisions. The Senior Investment Officer (Equities) and Human Resources Manager positions have been filled.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board. The Governance and Personnel committees will meet on September 16, 2008.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

7. Report on the Performance of the Retirement Fund for the Quarter Ending 6/30/08

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

For the quarter ended 6/30/08, the Retirement Fund was valued at \$15.8 billion, providing a total return of -0.51% for the quarter, and -3.13% for the trailing 12 months.

The Board engaged in a question and answer session.

This was a discussion only item.

8. Report on Brokerage Commissions Generated by the Retirement Fund during the Quarter Ended 6/30/08

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

For the Quarter ended 6/30/08, the Retirement Fund generated total commissions of approximately \$2.3 million, of which the System recaptured approximately \$42,836 or 1.86 percent. Brokerage directed to Emerging Brokers totaled approximately \$196,000, or 7.9 percent of the total.

The Board engaged in a question and answer session.

This was a discussion only item.

9. Annual Report on Tobacco Divestiture

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd Seconded by Commissioner Casciato to Adopt the Report on Tobacco Divestiture.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson

Absent: Wright

10. Annual Report on Sudan Divestiture

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Staff recommends that the System resend a letter to Bauer A G to confirm that they do not have an office in Sudan and that they have no business interests in Sudan.

Staff also recommends that a letter be directed to Cummins, Inc., a U.S. engine manufacturer, to determine if Cummins is providing engines to Dongfeng Motor Group Co. Ltd. Dongfeng Motor Group is exporting trucks to Sudan that are being used by the Sudanese army. Dongfeng Motor Group is on SFERS' restricted list.

Staff has determined that Mitsui Engineering & Shipbuilding no longer meets SFERS' criteria for divestment. Therefore, Staff recommends that the Retirement Board rescind the restrictions and allow SFERS' managers to invest in Mitsui Engineering & Shipbuilding.

Staff recommends that Ranhill Berhad be added to the restricted list due to the active joint venture with Petrodar Operating Company limited and indirectly with China National Petroleum and Petronas.

Moved by Commissioner Elsbernd Seconded by Commissioner Casciato to Adopt the Report and Staff Recommendations on Sudan Divestiture.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson

Absent: Wright

11. Investment Committee Report

Commissioner Kim, Chair, presented an oral and written report on this item.

At their meeting of August 19, 2008 the Investment Committee:

Approved the minutes of the May 20, 2008 Investment Committee meeting.

Discussed the Investment Committee agenda setting process for FY 08 – 09. The Governance Committee will also be addressing the process for determining the educational needs of the Board, including educational presentations to be scheduled before the Investment Committee.

Reviewed Public Markets Sub-Asset Class Allocations, the recommendations for action will be presented as the following item on the agenda.

The Board engaged in a question and answer session.

This was a discussion only item.

12. Review and Approval of Public Markets Sub-Asset Class Allocations

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Staff and Consultant recommended the following changes:

US Equity: Reduce small cap value and SMID growth by 1% each with proceeds added to the Internal S&P 500 Index Fund.

International Equity: Change the international equity composite benchmark from the MSCI ACWI Ex US Standard Index (primarily large and mid cap) to the MSCI ACWI Ex US Investable Market Index (IMI), which is an all cap index. No changes proposed to the structure.

Fixed Income: Change the benchmark for the internal portfolio from 60% Gov/40% Mortgages to 75% Gov/25% Mortgages to better balance the portfolio's sector risk. In addition, reduce the Internal Portfolio by 1%, increase Core Plus by 7%, and reduce HY CMBS and Commercial Mortgages by 3% each.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Approve the Public Markets Sub-Asset Class Allocations.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson

Absent: Wright

13. **Approval to Commit up to \$30 Million to Knightsbridge Venture Capital Fund VII, LP**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Advisor, and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Commit up to \$30 Million to Knightsbridge Venture Capital Fund VII, LP

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson

Absent: Wright

Commissioner Elsbernd left the meeting at 10:07 AM.

14. **Deputy Director for Investments Report**
David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The DDI reported:

As of August 31, 2008, the fund was valued at approximately \$15.3 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended August 31, 2008, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.

The DDI noted the Fund is in compliance with allowed ranges in all asset and sub-asset classifications.

The DDI informed the Board that Robert Shaw, Sr. Investment Officer – Equities, is expected to begin employment in mid-September. The DDI also informed the Board that David Simpson, Security Analyst, Alternative Investments, has resigned to pursue an opportunity in Dubai.

The DDI informed the Board that implementation of the BARRA risk management system continues.

The DDI informed the Board that no proxies were voted during the month.

The DDI recommended approval of a technical correction to the Performance Index for Securities Lending, Dollar Roll, and Manager Cash Investment Guidelines from the Salomon 90 day T-Bill Index, to the Merrill Lynch 91 day T-Bill Index.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve Technical corrections to the Performance Index for Securities Lending, Dollar Roll and Manager Cash Investment Guidelines.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

RETIREMENT BOARD MEMBER'S REPORT

15. Board Member's Report

Commissioner Herb Meiberger reported on his attendance at The Institutional Real Estate Advisory Board Meeting, September 2-4, 2008, Half Moon Bay, CA.

Commissioner Meiberger requested an update on the Lexin matter.

Commissioner Driscoll announced that the Board would be adjourning their meeting in memory of the late John Feltes.

Commissioners Casciato and Peterson left the meeting at 10:10 AM.

Break: 10:15 – 10:25 AM.

Commissioner Peterson returned at 10:25 AM.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

16. Selection of Finalist to Enter into Contract Negotiations for Third Party Administration of the San Francisco 457(b) Deferred Compensation Plan

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmussen, Angeles Investment Advisors, presented an oral and written report on this item.

Commissioners Casciato, Elsbernd, and Wright were recused by a motion at a previous meeting as a result of the Lexin decision.

Commissioner Driscoll provided an opportunity for comments from the public. There were no public comments.

The Plan Administrator contractual agreement between the City and County of San Francisco Retirement System and ING Life Insurance and Annuity Company ("ING") will expire on January 29, 2009.

Upon Retirement Board approval, Staff and Angeles Investment Advisors, LLC ("Consultant"), prepared a Request for Proposal (RFP) that was issued on May 5, 2008 to solicit bids for Plan Administrator and Management of the Stable Value Portfolio. The Retirement System received four (4) responses to the RFP for plan administration and 18 responses for management of the stable value portfolio.

On August 12, 2008, the Board conducted interviews of three semi-finalists for Third Party Administration (TPA) for the City and County of San Francisco 457(b) Deferred Compensation Plan:

- Great West Retirement Services
- ING Life & Insurance & Annuity Company
- Prudential Retirement Services

Based on their review, Staff and Consultant recommend entering into contract negotiations for a five (5) year term with Great-West Retirement Services for third party administration of the San Francisco 457(b) Deferred Compensation Plan.

The Board engaged in a question and answer session.

Commissioner Meiberger expressed his appreciation for the efforts of staff and consultant.

In response to a question from Commissioner Meiberger, Ms. Cypert noted that all existing core investment funds except Stable Value would be retained following the transition.

Moved by Commissioner Kim, Seconded by Commissioner Peterson to Enter into Contract Negotiations with Great-West Retirement Services for Third Party Administration of the San Francisco 457(b) Deferred Compensation Plan.

Action: Approved by the following vote:

Ayes: Driscoll, Kim, Meiberger, Peterson

Recused: Casciato, Elsbernd, Wright (Absent)

17. Review of the San Francisco 457(b) Deferred Compensation Plan Semi-Annual Investment Performance Analysis Provided By Angeles Investment Advisors

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmussen, Angeles Investment Advisors, presented an oral and written report on this item.

Mr. Rasmussen provided a presentation of the San Francisco 457(b) Deferred Compensation Plan Review of Investment Performance for the period December 31, 2007 through June 2008.

The Board engaged in a question and answer session.

This was a discussion only item.

18. **Approval of the new Underlying Funds for the San Francisco 457(b) Deferred Compensation Plan Stable Value Portfolio**

Carol Cybert, Deferred Compensation Manager, and Andrew Rasmussen, Angeles Investment Advisors, presented an oral and written report on this item.

Commissioner Driscoll provided an opportunity for comments from the public. There were no comments from the public. .

The Stable Value contractual agreement between the City and County of San Francisco Retirement System and ING Life Insurance and Annuity Company ("ING") will expire on January 29, 2009.

Upon Retirement Board approval, Staff and Angeles Investment Advisors LLC, ("Consultant") prepared a Request For Proposal (RFP) that was issued on May 5, 2008 to solicit bids for Plan Administrator and Management of the San Francisco Deferred Compensation Plan (SFDCP) Stable Value Portfolio. The Retirement System received four (4) responses to the RFP for plan administration and 18 responses for management of the stable value portfolio.

Structural changes to the stable value portfolio will also impact the underlying investment in the SFDCP Mid Term Portfolio and SFDCP Near Term Portfolio.

Based on their review Staff and Consultant recommended that the Board approve PIMCO, and T. Rowe Price as stable value managers for the SFDCP Stable Value Portfolio if wrap management services are secured; otherwise exercise book value settlement and establish a new stable value portfolio with the newly appointed third party administrator to receive all new cash flow and the book value settlement.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Kim to approve PIMCO, and T. Rowe Price as stable value managers for the SFDCP Stable Value Portfolio if wrap management services are secured; otherwise exercise book value settlement and establish a new stable value portfolio with the newly appointed third party administrator to receive all new cash flow and the book value settlement.

Action: Approved by the following vote:

Ayes: Driscoll, Kim, Meiberger, Peterson

Recused: Casciato, Elsbernd, Wright (Absent)

Mike Hebel, POA, requested clarification of the motion. Ms. Cybert agreed to provide copies of the Board materials on this item.

19. **Deferred Compensation Manager Report**

Carol Cybert, Deferred Compensation Manager, presented an oral and written report on this item.

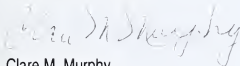
The Board engaged in a question and answer session.

This was a discussion only item.

20. **Adjournment**

There being no further business, the Board adjourned its meeting at 11:38 AM in memory of John Feltes.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Clare M. Murphy".

Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, OCTOBER 14, 2008
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. Richard Rothman, SEIU, requested that SFERS distribute information regarding the impact of the current credit crisis on the status of the Fund.

REGULAR CALENDAR

1. Minutes of the September 9, 2008 Board Meeting

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Approve the Minutes of the September 9, 2008 Board Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

2. Old and Ongoing Business List

Clare Murphy, Executive Director, presented an oral and written report on this item.

The draft Public Service ordinance is currently pending before the Government Efficiency & Audit Committee of the Board of Supervisors. Staff will be working with Supervisor Elsbernd to move the item forward through the legislative process.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Old and Ongoing Business List.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

3. Governance Committee Report

Commissioner Elsbernd, Chair of the Governance Committee presented an oral and written report on this item. The Governance Committee met on September 16, 2008. At their meeting the Committee:

- Approved the Minutes of the 12/18/07 Governance Committee Meeting.
- Approved the 2008/09 Governance Committee Forward Agenda. The Committee's next meeting will be in December 2008 or January 2009.
- Reviewed and Recommended for Board Acceptance the 2007 Board Governance Report. This item is calendared separately for Board acceptance.

- Reviewed and recommended for distribution the 2008 Board Development Process Self-Evaluation. The survey will be sent to all Board members by Cortex Applied Research.
- The Committee reviewed the results of the Board Education Needs Assessment and adopted recommended changes to the Board Education and Travel Policy to reflect the proposed educational needs assessment process. This item is calendared separately for Board acceptance.
- Reviewed and discussed the Board's Planning Process, a revised draft policy will be presented at the next Governance Committee meeting.

This was a discussion only item.

4. Review and Acceptance of Annual Governance Report for 2007

Commissioner Elsbernd, Chair of the Governance Committee presented an oral and written report on this item.

The Governance Committee met on September 16, 2008. The Committee reviewed the Annual Governance Report for 2007 and recommended acceptance by the full Board.

The Board engaged in a question and answer session. Commissioner Kim noted that he had not attended any conferences in 2007.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Accept the Annual Governance Report for 2007 as amended.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

5. Review and Adoption of Recommended Changes to the Board Education and Travel Policy

Commissioner Elsbernd, Chair of the Governance Committee presented an oral and written report on this item.

The Governance Committee met on September 16, 2008. The Committee reviewed the results of the Board Education Needs Assessment and recommended changes to the Board Education and Travel Policy to reflect the proposed educational needs assessment process.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Adopt the Recommended Changes to the Board Education and Travel Policy.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

6. Personnel Committee Report

Commissioner Kim, Chair of the Personnel Committee, presented an oral and written report on this item.

The Personnel Committee met on September 16, 2008. At their meeting the Committee:

- Approved the Minutes of the July 8, 2008 Personnel Committee.
- Received an update on recruitment for the position of Actuarial Services Coordinator. Three applications have been received from individuals who appear to meet the minimum qualifications for the position. The Committee directed staff to conduct preliminary interviews with the three applicants to verify that they meet the minimum qualifications and to recommend further action to the Committee at its next meeting.
- The Committee met in Closed Session to discuss the 2008-09 Performance Goals and Objectives for the position of Executive Director, as well as the search process for the position of Executive Director.

This was a discussion only item.

7. **Approval of Application for Adult Dependent Child Benefit – William Weissgerber**
Jay Huish, Deputy Director, presented an oral and written report on this item.

Gene H. Weissgerber was a retired member under San Francisco Charter Section A8.585 (Old Plan Firefighters). Mr. Weissgerber died on December 13, 2004. On January 13, 2005 in a letter to the Retirement System, Michael Weissgerber applied for adult dependent child continuation benefits on behalf of his brother William Weissgerber.

San Francisco Charter Section A8.585 provides for a continuation of Mr. Weissgerber's retirement allowance upon his death to an adult child "dependent upon him for support because partially or totally disabled and unable to earn a livelihood."

Staff reviewed information provided on behalf of William Weissgerber using standards and policy adopted by the Board in May 2007. Staff recommended that William Weissgerber's application for continuation benefits be granted effective retroactive to January 1, 2005.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Approve William Weissgerber's Application for Dependent Continuation Benefits in Accordance with San Francisco Charter Section A8.585 effective January 1, 2005.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

8. **Adjustment of Retirement Allowance for Jill Brophy – Requires Ballot Vote**
Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Approved by ballot vote to increase Lieutenant Brophy's industrial retirement allowance to 69% without waiver of any rights she may have on the disputed amount, subject to possible further adjustments for the Retirement System's credit rights.

9. **CONSENT CALENDAR**

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate

discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

9a. Voluntary Retirement Board List No. 4-08

9b. Decision of Hearing Officers

Cynthia M. Alexis Effective Date: 4/19/08	8137 Chief Victim/Witness Investigator - DA	Ordinary Disability Retirement Granted
Romy N. Barulich Effective Date: 6/1/07	500C Court Reporter Trial Courts	Ordinary Disability Retirement Denied
Kevin T. Bouey Effective Date: 10/3/06	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Granted
Senia Bruno Effective Date:	8310 Sheriff's Lieutenant Sheriff	PERS Granted
Phyllis J. Casey Effective Date: 9/1/07	9131 Station Agent, Muni Muni	Ordinary Disability Retirement Granted
Michael C. Chan Effective Date: 5/31/07	9703 Employment & Training Specialist II - DHS	Ordinary Disability Retirement Granted
Anna Marie Clark Effective Date: 2/1/08	2940 Protective Services Worker - DHS	Ordinary Disability Retirement Granted
Mario Defina Effective Date: 2/16/08	Q-4 Police Officer Police	Industrial Disability Retirement Granted
Gary W. Hazelhofer Effective Date: 8/11/07	Q-4 Police Officer Police	Industrial Disability Retirement Granted
Jorge Hernandez Effective Date: 7/27/07	7313 Automotive Machinist PUC- Water	Ordinary Disability Retirement Granted
David P. Herrera Effective Date: 1/3/08	Q-52 Sergeant III Police	Industrial Disability Retirement/ Stip Granted
Gerald M. Ishida Effective Date: 9/8/07	Q-52 Sergeant III Police	Industrial Disability Retirement/ Stip Granted
John Laurent Effective Date:	8322 Sr. Counselor Juvenile Probation	PERS Granted
Michael Mitchell Effective Date: 11/6/07	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Douglas Sebesta Effective Date: 5/21/08	2803 Epidemiologist II DPH	Ordinary Disability Retirement Granted
Priscilla C. Susbilla Effective Date: 12/3/07	2312 Licensed Voc. Nurse DPH	Ordinary Disability Retirement/ Stip Granted

Carolyn E. Woods	4202 Assessment Clerk	Ordinary Disability Retirement
Effective Date: 2/1/01	Assessor's Office	Granted

9c. **Petition for Rehearing**

Romy N. Barulich	500C Court Reporter	Ordinary Disability Retirement
Effective Date: 6/1/07	Trial Courts	Denied

9d. **Dismissal of Disability Retirement Application**

Manuel V. Abullarade – Ordinary Disability Retirement
John Ford – Industrial Disability Retirement
James A. Outley – Industrial Disability Retirement

9e. **Request Retroactive Approval for Commissioner Peterson who attended the Pension Real Estate Association Conference that was held on October 1-3, 2008, in Chicago, IL.**

9f. **Request Authorization for Travel for Commissioner Meiberger, and other Board Members to attend the Pacific Pension Institute Executive Seminar and the Asian Roundtable to be held on October 26-31, 2008, in Tokyo, Nagoya, and Kyoto, Japan.**

9g. **Request Authorization for Travel for Commissioner Kim to attend the World Pension Forum to be held on November 15-20, 2008, in Dubai, United Arab Emirates.**

9h. **Request Authorization for Travel for Commissioner Casciato to attend the 21st Annual Police, Fire and Municipal Employee Pension & Benefits Seminar to be held on January 12-14, 2009, in Las Vegas, NV.**

9i. **Request Authorization for Travel for Commissioner Casciato to attend the 3rd Annual Performance Focused Emerging Managers Conference to be held on January 14-15, 2009, in Las Vegas, NV.**

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Consent Calendar

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

10. **Executive Director's Report**

Clare Murphy, Executive Director, presented an oral and written report on this item.

The SFUSD Payroll remains current.

The Request for Proposal in Progress Blackout Period List was distributed to the Board.

There was no new litigation reported.

A Legislation Update was provided to the Board. Propositions G and H on the November 2008 ballot contains provisions impacting the Retirement System. Staff is currently implementing the provisions of Proposition B (Miscellaneous Benefit Enhancement) from the June 2008 ballot.

A quarterly report on the Deferred Retirement Option Program (DROP) for the quarter ended September 30, 2008 was distributed.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board. Ms. Murphy noted that the next Board meeting will be Wednesday, November 12, 2008 due to the Veteran's Day holiday.

The final SFERS Statement of Incompatible Activities as adopted by the Ethics Commission was distributed.

The Board engaged in a question and answer session.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

11. Board Member's Report

Commissioner Brenda Wright reported on her attendance at the International Foundation of Benefit Plan Conference, August 25-27, 2008, San Francisco, CA

Commissioner Al Casciato and Commissioner Joseph Driscoll reported on their attendance at the Manager Search Selection, September 15, 2008, San Francisco, CA

Commissioner Herb Meilberger reported on his attendance at The Art of Indexing Summit 2008, September 22-23, 2008, Washington, DC

Commissioner Richard Peterson reported on his attendance at the PREA Conference, October 1-3, 2008, Chicago, IL

CITY ATTORNEY REPORT

12. Update on Lexin Decision

Caryn Bortnick, Deputy City Attorney, presented an oral report on this item.

Ms. Bortnick reviewed the history of the Lexin matter and the provisions of Government Code Section 1090. The matter has been accepted by the California State Supreme Court for review. The City and County of San Francisco has joined on a brief filed by the California League of Cities.

The Board engaged in a question and answer session.

This was a discussion only item.

13. Update on Investment Legal Risk Policy

Caryn Bortnick, Deputy City Attorney, presented an oral report on this item.

This item was initially raised at the Board retreat in April. Ms. Bortnick reported that a draft paper on this issue was being prepared for presentation at a NAPA Conference scheduled for February, 2009. A formal report will be submitted to the Board at the March 2009 Board meeting.

Carolyn E. Woods	4202 Assessment Clerk	Ordinary Disability Retirement
Effective Date: 2/1/01	Assessor's Office	Granted

9c. **Petition for Rehearing**

Romy N. Barulich	500C Court Reporter	Ordinary Disability Retirement
Effective Date: 6/1/07	Trial Courts	Denied

9d. **Dismissal of Disability Retirement Application**

Manuel V. Abullarade – Ordinary Disability Retirement

John Ford – Industrial Disability Retirement

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9i. **Request Authorization for Travel for Commissioner Casciato to attend the 3rd Annual Performance Focused Emerging Managers Conference to be held on January 14-15, 2009, in Las Vegas, NV.**

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Consent Calendar

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

10. **Executive Director's Report**

Clare Murphy, Executive Director, presented an oral and written report on this item.

The SFUSD Payroll remains current.

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There was no new litigation reported.

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The Board engaged in a question and answer session.

This was a discussion only item.

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This item was initially raised at the Board retreat in April. Ms. Bortnick reported that a draft paper on this issue was being prepared for presentation at a NAPA Conference scheduled for February, 2009. A formal report will be submitted to the Board at the March 2009 Board meeting.

The Board engaged in a question and answer session.

This was a discussion only item.

14. **Scheduled Recess of Board Meeting for Annual Report Photos of Board (9:50 - 10:20 AM)**

INVESTMENT CALENDAR

15. **Approval of Revised Investment Guidelines for Quantitative Management Associates (QMA) (Enhanced Index Equity Manager)**

David Kushner, Deputy Director for Investments, and Anna McGibbons, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Approve Revised Investment Guidelines for Quantitative Management Associates (QMA) (Enhanced Index Equity Manager)

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

16. **Approval of Revised Investment Guidelines for Internally Managed Fixed Income Portfolio (IFIP)**

David Kushner, Deputy Director for Investments, and Anna McGibbons, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Approve Revised Investment Guidelines for Internally Managed Fixed Income Portfolio (IFIP)

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

17. **Semi-Annual Review of Real Estate for the Period Ending 6/30/08**

David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, The Townsend Group, presented an oral and written report on this item.

For the Calendar Year ended 6/30/08, the Real Estate portfolio provided a total return of 4.9% vs. the benchmark (NPI+ 150bps) return of 10.8%. For the five year period ended 6/30/08, Real Estate provided a 14.9% total return, vs. the benchmark (NPI+ 150bps) of 15.5%.

The Board engaged in a question and answer session.

This was a discussion only item.

18. Approval of Revised Investment Policy Statement

David Kushner, Deputy Director for Investments, and Anna McGibbons, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Approve the Revised Investment Policy Statement

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

19. Approval of Manager Monitoring and Retention Policy

David Kushner, Deputy Director for Investments, and Anna McGibbons, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Kim and Commissioner Wright reviewed the criteria for terminating managers.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Approve the Manager Monitoring and Retention Policy

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Recess 9:50 - 10:20 AM

Commissioner Elsbernd left the meeting at 10:15 AM

20. Approval to Commit up to €25 Million to Charterhouse Capital Partners IX, LP

David Kushner, Deputy Director for Investments, and Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Peterson, Seconded by Commissioner Casciato to Commit up to €25 Million to Charterhouse Capital Partners IX, LP

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

21. Recommendation to Commit Up to \$30 Million to Odyssey Investment Partners Fund IV, LP

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, and Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Peterson to Commit Up to \$30 Million to Odyssey Investment Partners Fund IV, LP

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

22. Recommendation to Commit Up to \$40 Million to Portfolio Advisors Secondary Fund, L.P.

David Kushner, Deputy Director for Investments, and Glen Schwartz, Senior Investment Officer, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Meiberger noted that Portfolio Advisors is a consultant to the Board, and that he would oppose the staff recommendation to avoid the appearance of conflict.

Commissioner Peterson spoke in support of the staff recommendation.

Commissioner Driscoll noted the absence of a consultant recommendation accompanying the staff report and requested information regarding alternative secondary funds.

Commissioner Casciato noted that the members of the Board could request additional information from staff prior to the next meeting.

Commissioner Wright requested additional information regarding the due diligence process supporting the staff recommendation.

In response to a question from Commissioner Wright, Caryn Bortnick, Deputy City Attorney, noted that the Board could request additional information regarding the due diligence process and mechanisms to monitor for potential conflict.

Mr. Kushner noted that the item could be continued to the November Board meeting and invited members of the Board to submit written questions.

Commissioner Meiberger requested an estimate on the fees using a variety of scenarios for carried interest, and requested a review by the City Attorney of the recommended investment. Ms. Bortnick noted that Government Code Section 1090 issues were not involved in the recommended investment.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Continue the item to the November Board meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Peterson, Wright

Noes: Meiberger

Absent: Elsbernd

23. Deputy Director for Investments Report

David Kushner, Deputy Director for Investment (DDI), presented an oral and written report on this item.

The DDI reported:

As of September 30, 2008, the fund was valued at approximately \$14.3 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended September 30, 2008, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.

The DDI noted the Fund is in compliance with allowed ranges in all asset and sub-asset classifications.

The DDI introduced Robert Shaw, Sr. Investment Officer – Equities.

The DDI informed the Board that recruitment for a Security Analyst should begin shortly, and work continues toward launching recruitments for the newly created Head of Area positions.

The DDI informed the Board that three proxies were voted during the month
Memry Corporation acquisition by SAES Getters S.p.A (voted For)
Wendy's International, Inc. acquisition by Triarc Companies (voted For)
William R. Wrigley Jr. Company acquisition by Mars, Inc. (voted For)

The DDI reported at a high level the impact of the current market environment on the Fund, including impairments in Securities Lending Collateral reinvestment as well as impact on investment of cash balances. The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

Moved by Commissioner Meiberger, Seconded by Commissioner Wright that the San Francisco Employees' Retirement System cast all of its proxy votes in opposition to the merger of Rohm & Haas and Dow Chemical Company.

Commissioner Meiberger left the meeting at 12:04 PM.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

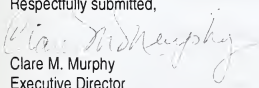
24. Deferred Compensation Manager Report

The item was continued to the November Board meeting.

25. Adjournment

There being no further business, the Board adjourned its meeting at 12:07 PM

Respectfully submitted,


Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
WEDNESDAY, NOVEMBER 12, 2008
8:30 am

MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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Note: Items may not have been heard in the order presented on the agenda.

Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	Absent
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:35

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment.

REGULAR CALENDAR

1. Minutes of the October 14, 2008 Board Meeting

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Approve the Minutes of the October 14, 2008 Board Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Wright, Elsbernd

2. Old and Ongoing Business List

Clare Murphy, Executive Director, presented an oral and written report on this item.

The draft Public Service ordinance is currently pending before the Government Efficiency & Audit Committee of the Board of Supervisors. Staff will be working with Supervisor Elsbernd to move the item forward through the legislative process.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Old and Ongoing Business List.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Wright, Elsbernd

3. Review and Adoption of Airport Police Amendment of CalPERS Contract

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish reported that CalPERS is still working on the format of the amendment; however staff was seeking approval of the proposed transfer and waiver election.

Commissioner Driscoll confirmed that this would be a time-limited offer.

The Board engaged in a question and answer session.

Commissioner Wright arrived at 8:35 AM.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Adopt the Proposed Airport Police Amendment to the CalPERS Contract.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

4. Preliminary Business Plan Presentation for FY 09-10

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish provided a summary of the proposed Business Plan. Clare Murphy, Executive Director, will be scheduling time with each Board member to discuss the proposed staff draft.

Commissioner Kim suggested referencing the on-going Executive Director transition process and Investment division staffing project.

Commissioner Meiberger inquired regarding Board member access to the ADOC imaging project. Mr. Huish reported that access could be provided in the office.

Commissioner Casciato recommended the establishment of a centralized system for reporting compliments and complaints regarding interactions with members. Mr. Huish reported that this information is currently reported to supervisors and documented in employee personnel files.

The Board engaged in a question and answer session.

This was a discussion only item.

5. Review and Acceptance of Economic Experience Analysis and Adoption of Economic Assumptions

Clare Murphy, Executive Director, and Ken Kent, Consulting Actuary of Cheiron, presented an oral and written report on this item.

Mr. Kent provided an analysis of the Investment Return and Discount Rate, analysis of inflation impact on wages and COLAs, and summarized the actuarial funding methodology.

The analysis recommended that the Board consider reducing the assumption for rate of return to 7.75% from the current 8.00%. It was further recommended to maintain the current inflation assumption of 3.5%.

Ms. Murphy noted that a recommendation regarding the employer contribution rate would be presented to the Board at the January, 2009 Board meeting.

The Board engaged in a question and answer session.

Jean Thomas, retired City employee, inquired how long the recommended investment return rate would be in effect. Ms. Murphy noted that this is reviewed on an annual basis.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Accept the Economic Experience Analysis.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Adopt the Proposed Economic Assumptions.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

6. **Retirement System Travel Expense Report for the Period Ending September 30, 2008**
Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

7. **CONSENT CALENDAR**

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

7a. **Voluntary Retirement Board List No. 5-08**

7b. **Decision of Hearing Officers**

Rollie Antonio Effective Date: 1/1/08	9163 Transit Operator Muni	Ordinary Disability Retirement Granted
Jose Caedo Effective Date: 8/30/08	1365 Special Assistant VI Mayor	Ordinary Disability Retirement Granted
Gary E. Dolan Effective Date: 5/5/07	H-20 Acting Lieutenant Fire Dept	Industrial Disability Retirement / Slip Granted
Joann M. Fah Effective Date: 6/1/08	1708 Sr. Telephone Operator DPH	Ordinary Disability Retirement Granted
Alma L. Garcia Effective Date: 7/1/07	2320 Registered Nurse DPH	Ordinary Disability Retirement Granted
Angela C. Lin Effective Date: 9/1/07	2708 Custodian Airport	Ordinary Disability Retirement Granted
Daniel R. Loughran Effective Date: 11/20/07	H-3 Firefighter/Paramedic Fire	Industrial Disability Retirement Granted

Lien C. Luu Effective Date: 12/1/07	472C Fiscal Technician Trial Courts	Ordinary Disability Retirement /Stip Granted
Benjamin McAlister Effective Date: 9/14/04	Q-2 Police Officer Police	Industrial Disability Retirement /Stip Denied
Michael P. McGrath Effective Date: 1/1/08	7388 Utility Plumber PUC	Ordinary Disability Retirement Granted
Jeremiah W. Morgan Effective Date: 7/28/07	Q-52 Sergeant III Police	Industrial Disability Retirement /Stip Granted

7c. Petition for Rehearing

Benjamin McAlister Effective Date: 9/14/04	Q-2 Police Officer Police	Industrial Disability Retirement /Stip Denied
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7d. Dismissal of Disability Retirement Application

Raymond E. Dito – Industrial Disability Retirement
Regina Francis – Ordinary Disability Retirement
David D. Krohn – Ordinary Disability Retirement

7e. Request Authorization for Travel for Commissioner Meiberger and other Board Members, to attend the 17th Annual Public Funds Boards Forum, to be held on December 13-16, 2008, in San Francisco, CA.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Consent Calendar, continuing Regina Francis in item 7d to the December Board meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

8.

Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The SFUSD Payroll remains current.

The Request for Proposal in Progress Blackout Period List was distributed to the Board.

There was no new litigation reported.

A Legislation Update was provided to the Board. Proposition G (purchase of up to four months parental leave taken prior to 2003) on the November 2008 ballot was approved by the voters. Implementation procedures will be presented at a future Board meeting.

A data request has been received from the Civil Grand Jury.

Mid-year budget revision instructions have been received from the Mayor's Office. No cuts have been proposed to the SFERS 08-09 budget. However it is likely that there will be personnel reductions by other departments which may have an impact of SFERS.

The Educational Opportunities List was distributed to the Board.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Accept the Economic Experience Analysis.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Adopt the Proposed Economic Assumptions.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, , Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

6. Retirement System Travel Expense Report for the Period Ending September 30, 2008

Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

7. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

7a. Voluntary Retirement Board List No. 5-08

7b. Decision of Hearing Officers

Rollie Antonio Effective Date: 1/1/08	9163 Transit Operator Muni	Ordinary Disability Retirement Granted
Jose Caedo Effective Date: 8/30/08	1365 Special Assistant VI Mayor	Ordinary Disability Retirement Granted
Gary E. Dolan Effective Date: 5/5/07	H-20 Acting Lieutenant Fire Dept	Industrial Disability Retirement /Stip Granted
Joann M. Fah Effective Date: 6/1/08	1708 Sr. Telephone Operator DPH	Ordinary Disability Retirement Granted
Alma L. Garcia Effective Date: 7/1/07	2320 Registered Nurse DPH	Ordinary Disability Retirement Granted
Angela C. Lin Effective Date: 9/1/07	2708 Custodian Airport	Ordinary Disability Retirement Granted
Daniel R. Loughran Effective Date: 11/20/07	H-3 Firefighter/Paramedic Fire	Industrial Disability Retirement Granted

Lien C. Luu Effective Date: 12/1/07	472C Fiscal Technician Trial Courts	Ordinary Disability Retirement /Stip Granted
Benjamin McAlister Effective Date: 9/14/04	Q-2 Police Officer Police	Industrial Disability Retirement /Stip Denied
Michael P. McGrath Effective Date: 1/1/08	7388 Utility Plumber PUC	Ordinary Disability Retirement Granted
Jeremiah W. Morgan Effective Date: 7/28/07	Q-52 Sergeant III Police	Industrial Disability Retirement /Stip Granted

7c. Petition for Rehearing

Benjamin McAlister Effective Date: 9/14/04	Q-2 Police Officer Police	Industrial Disability Retirement /Stip Denied
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7d. Dismissal of Disability Retirement Application

Raymond E. Dito – Industrial Disability Retirement
Regina Francis – Ordinary Disability Retirement
David D. Krohn – Ordinary Disability Retirement

7e. Request Authorization for Travel for Commissioner Meiberger and other Board Members, to attend the 17th Annual Public Funds Boards Forum, to be held on December 13-16, 2008, in San Francisco, CA.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Consent Calendar, continuing Regina Francis in item 7d to the December Board meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

8. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The SFUSD Payroll remains current.

The Request for Proposal in Progress Blackout Period List was distributed to the Board.

There was no new litigation reported.

A Legislation Update was provided to the Board. Proposition G (purchase of up to four months parental leave taken prior to 2003) on the November 2008 ballot was approved by the voters. Implementation procedures will be presented at a future Board meeting.

A data request has been received from the Civil Grand Jury.

Mid-year budget revision instructions have been received from the Mayor's Office. No cuts have been proposed to the SFERS 08-09 budget. However it is likely that there will be personnel reductions by other departments which may have an impact of SFERS.

The Educational Opportunities List was distributed to the Board.

Commissioner Meiberger reported on his attendance at the Defined Contribution Conference, October 20-21, 2008, San Francisco, CA

Commissioner Meiberger reported on his attendance at the Pacific Pension Institute, October 25 through November 1, 2008, Tokyo, and Kyoto Japan

This was a discussion only item.

CLOSED SESSION

14. Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board met in closed session.

CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION
as Plaintiff Government Code §54956.9(b)(1); S.F. Administrative Code §67.11

Moved by Commissioner Casciato, Seconded by Commissioner Peterson to meet in Closed Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

Moved by Commissioner Casciato, Seconded by Commissioner Wright to reconvene in Open Session and not to report on the Board's discussion in Closed Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

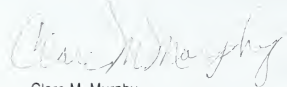
Absent: Elsbernd

Commissioner Driscoll reported that the Board had voted not to disclose discussion from the Closed Session.

15. **Adjournment**

There being no further business, the Board adjourned its meeting at 11:35 AM.

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, DECEMBER 9, 2008
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	9:00
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Note: Items may not have been heard in the order presented on the agenda.

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Minutes of the November 12, 2008 Board Meeting

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Approve the Minutes of the November 12, 2008 Board Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

2. Old and Ongoing Business List

Clare Murphy, Executive Director, presented an oral and written report on this item.

The draft Public Service ordinance is currently pending before the Board of Supervisors for final approval. Staff will be working with Supervisor Elsbernd to move the item forward through the legislative process. Staff will present a draft Public Service Policy at the January 13, 2009 Board meeting.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Wright to Approve the Old and Ongoing Business List.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

3. Review and Approval of Supplemental COLA Report Effective July 1, 2008

Clare Murphy, Executive Director, and Kenneth Kent, Cheiron, Consulting Actuary, presented an oral and written report on this item.

Ms. Murphy reported that Supplemental Cost of Living Adjustments are provided for in Charter Section A8.526-1 upon the determination that Trust Fund earnings exceed those required by Charter Section A8.526-1. Mr. Kent noted that the report prepared by Cheiron finds that losses, not earnings occurred

during 2007-2008. Therefore no supplemental cost of living adjustment can be authorized by the Board.

The Board engaged in a question and answer session.

In response to a question from Commissioner Meiberger, Ms. Murphy noted that the COLA provisions of Proposition B from the June, 2008 ballot would not impact the determination of the COLA for 2007 – 2008.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Accept the Supplemental COLA Report and Direct Staff to Communicate to the Retired Population that **no** Supplemental COLA will be Payable Effective 7-1-2008.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

4. Finance Committee Report

Jay Huish, Deputy Director, reported that at their meeting of November 18, 2008 the Finance Committee:

- Approved the Minutes of the Finance Committee Meeting of January 15, 2008;
- Reviewed and Approved the Preliminary Business Plan and Recommended to Full Board for Approval the FY 2009-2010 SFERS Business Plan. The Business Plan is calendared for approval on today's Board Agenda;
- Approved the FY 07-08 Expenditure Report;
- Accepted the FY 07-08 Recaptured Commissions Report; and,
- Accepted the Draft Audited Financial Statements and Supplemental Schedules for Years Ended June 30, 2008 and 2007.

The Board engaged in a question and answer session.

Moved by Commissioner Peterson, Seconded by Commissioner Wright to Accept the Finance Committee Report.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

5. Final Review and Adoption of Business Plan

Clare Murphy, Executive Director, and Jay Huish, presented an oral and written report on this item.

Ms. Murphy reported that she had spoken with all members of the Board regarding their input to the proposed Business plan.

Mr. Huish reported that the proposed Business Plan for 2009 – 2010 has been developed with the Business Planning Policy as amended by the Retirement Board in 2004. The proposed draft includes re-categorization of the Investment Risk Management initiative and the Disaster Recovery/Business Continuity Planning initiative as "on-going initiatives" which will include status reports to the Retirement

Board on an on-going basis. The proposed plan includes input from the Retirement Board, the Finance Committee and departmental senior staff.

The Board engaged in a question and answer session.

Commissioner Elsbernd arrived at 9:00 AM.

Moved by Commissioner Meiberger, Seconded by Commissioner to Wright Adopt the SFERS Business Plan for Plan Year 2009 – 2010.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

6. **Personnel Committee Report**

Commissioner Kim, Chair of the Personnel Committee reported that at the meeting of November 25, 2008 the Personnel Committee:

- Approved the Minutes of September 16, 2008 Personnel Committee Meeting;
- Received an update of the recruitment for the position of Actuary. Three applications have been received to date, one candidate has been interviewed, and the position has recently been posted on an employee benefits web site. The new web posting is expected to result in additional applications. Staff will continue to recruit for the position, interview qualified candidates, and present an update to the Committee at their next meeting in January. The Committee will interview designated candidates and make a recommendation to the full Board.
- Commissioner Driscoll reported that the Department of Human Resources has recently conducted a job analysis of the position of Executive Director and has recommended that the position be reclassified from Department Head IV to Department Head V. The Personnel Committee recommended to the full Board that the position of Executive Director be reclassified from Department Head IV to Department Head V. This item is calendared separately on today's agenda for Board action.
- Regarding the Executive Director search process, the Committee discussed the options of using an external search firm, conduct the search with the assistance of the Department of Human Resources, or conduct the search themselves. The Committee further recommended that the full Board authorize staff to release an RFP at the December Board meeting, with the goal of selecting a firm at the February Board meeting.

Moved by Commissioner Kim, Seconded by Commissioner Peterson Accept the Personnel Committee Report.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

7. **Approval of Request for Proposal for Executive Search Firms for Executive Director Position**

Commissioner Kim, Chair of the Personnel Committee, presented an oral and written report on this item.

Commissioner Kim, reported that at the meeting of November 25, 2008 the Personnel Committee discussed the options of using an external search firm, conducting the search with the assistance of the Department of Human Resources, or conducting the search themselves. The Committee

recommended that the full Board authorize staff to release an RFP at the December Board meeting, with the goal of selecting a firm at the February Board meeting.

The Committee further recommended that Staff conduct the initial screening of responses, with the final interviews and selection to be determined.

A draft RFP for Executive Search Firms was distributed at the Board meeting.

Moved by Commissioner Meiberger, Seconded by Commissioner Wright to Approve the Draft RFP for Executive Search Firms.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

8. Approval of Department of Human Resources Recommendation to Reclassify Executive Director Position from Department Head IV to Department Head V

Commissioner Kim, Chair of the Personnel Committee, presented an oral and written report on this item.

At their meeting of November 25, 2008 the Personnel Committee reviewed a recommendation from the Department of Human Resources that the position of Executive Director be reclassified from Department Head IV to Department Head V. The Personnel Committee recommended to the full Board that the position of Executive Director be reclassified from Department Head IV to Department Head V.

The Board engaged in a question and answer session.

Commissioner Driscoll noted that the review of the classification of the position of Executive Director had been initiated by the Mayor's Office and the Department of Human Resources. Commissioner Meiberger noted that that proposed reclassification was consistent with the Board's review of the compensation and staffing of the Investment section.

Moved by Commissioner Kim, Seconded by Commissioner Elsbernd to Adopt the Personnel Committee's recommendation to accept the Department of Human Resources' determination that the Retirement System Executive Director position should be reclassified from Department Head IV to Department Head V and, effective December 1, 2008, to grant the incumbent Executive Director the recommended annual pay rate of \$220,000 per year based on the salary survey of similar positions in comparable agencies as provided by the Department of Human Resources.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

9. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

9a. Voluntary Retirement Board List No. 6-08

9b. Decision of Hearing Officers

James E. Beltrano Effective Date: 10/1/07	8214 Parking Control Officer Parking & Traffic	Ordinary Disability Retirement/ Stip Granted
Seth A. Bertram Effective Date: 6/30/07	H-2 Firefighter Fire	Industrial Disability Retirement Granted
Arthur J. Hernandez Effective Date: 4/8/06	Q-2 Police Officer Police	Industrial Disability Retirement/ Stip Denied
James J. Juarez Effective Date: 4/14/04	H-20 Lieutenant Fire	Industrial Disability Retirement/ Stip Denied
Kenneth W. Louie Effective Date: 5/1/08	9163 Transit Operator Muni	Ordinary Disability Retirement Granted
Lien H. Luong Effective Date: 3/1/08	2615 School Lunchroom Helper SFUSD	Ordinary Disability Retirement Granted
Alvin D. Threats Effective Date: 7/1/07	8306 Sr. Deputy Sheriff Sheriff	Industrial Disability Retirement/ PERS Granted
Judith K. Triantos Effective Date: 10/1/06	8139 Industrial Injury Investigator - DPH	Ordinary Disability Retirement Denied

9c. Petition for Rehearing

Judith K. Triantos Effective Date: 10/1/06	8139 Industrial Injury Investigator - DPH	Ordinary Disability Retirement Denied
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9d. Request Authorization for Travel for Commissioner Wright to attend the Institutional Investor – Infrastructure Investment Forum and the Global Commodities Investment Forum, to be held on February 2-4, 2008 in New York, NY.

9e. Request Authorization for Travel for Commissioner Meiberger to attend the Institutional Real Estate, Inc. – Visions, Insights and Perspectives Conference to be held on February 3-5, 2009, in Carlsbad, CA.

9f. Request Authorization for Travel for Commissioner Wright to attend the Northern Trust – 2009 Institutional Client Conference, to be held on February 18-20, 2009 in Santa Monica, CA.

Commissioner Driscoll requested that the Seth Bertram matter be taken off the Consent Calendar.

Moved by Commissioner Meiberger, Seconded by Commissioner Peterson to Approve the Consent Calendar with the exception of item 9b – Seth Bertram.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Continue the Seth Bertram matter to the next Board meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

10. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The SFUSD Payroll remains current.

The Request for Proposal in Progress Blackout Period List was distributed to the Board, there are four outstanding RFPs subject to the Blackout Period Policy: Custodial Services, SFDCP Third Party Administration and Stable Value Portfolio Manager, Website Design, and Executive Search Firms.

There was no new litigation reported.

A Legislation Update was provided to the Board. Staff are still waiting for the CalPERS Board to take further action regarding the proposed transfer of Airport Police; additional legislative action will also be required by the Board of Supervisors.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board. The Governance Committee is schedule to meet on December 16th, 2008. The January Board meeting includes a very full agenda. The Investment Committee is scheduled to meet on February 20th, 2009.

Ms. Murphy reported that the Municipal Fiscal Advisory Committee has announced that she will be the recipient of a Special Recognition Award, to be presented on February 23, 2009.

Ms. Murphy extended holiday greeting and best wishes for the New Year to the Board.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

11. Investment Committee Report

Commissioner Kim, Chair of the Investment Committee, presented an oral and written report on this item. At their meeting of November 18, 2008 the Investment Committee:

- Approved the Minutes of August 19, 2008 Investment Committee Meeting;
- Received an Educational Session on Real Estate – Townsend's "View of the World"; and,
- Received an Educational Session on BARRA Risk Reporting.

The Board engaged in a question and answer session.

This was a discussion only item.

12. Report on the Performance of the Retirement Fund for the Quarter Ending 9/30/08

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Mr. Kushner reported that for the quarter ended 9/30/08, the Retirement Fund was valued at \$14.3 billion, providing a total return of -8.70% for the quarter, and -13.95% for the trailing 12 months.

The Board engaged in a question and answer session.

This was a discussion only item.

13. Report on Brokerage Commissions Generated by the Retirement Fund during the Quarter Ending 9/30/08

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

Mr. Kushner reported that for the quarter ended 9/30/08, the Retirement Fund generated total commissions of approximately \$2.47 million, of which the System recaptured approximately \$82,000 or 3.4 percent. Brokerage directed to Emerging Brokers totaled approximately \$200,000, or 8.1 percent.

The Board engaged in a question and answer session.

This was a discussion only item.

14. Report on Performance of Alternative Investment Program for the Period Ended 6/30/08

David Kushner, Deputy Director for Investments, Brian Murphy and Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item.

Mr. Kushner reported that for the twelve months ended 6/30/08, the Alternative Investment portfolio provided a total return of 8.23% versus the S & P 500 (plus 500 basis points) benchmark of -7.85%. For the five year period ended 6/30/08, the Alternative Investment portfolio provided a 25.52% total return versus the S & P 500 (plus 500 basis points) benchmark of 12.61%.

The Board engaged in a question and answer session.

This was a discussion only item.

Commissioner Elsbernd left the meeting at 11:10 AM.

15. Review and Approval of 2009 Annual Investment Plan for Alternative Investment Program

David Kushner, Deputy Director for Investments, Brian Murphy and Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item.

Mr. Kushner reported that at the November 12, 2008 meeting, the Retirement Board adopted the Strategic Investment Plan for the Alternative Investment Program. The proposed Annual Investment Plan for Calendar 2009 indicates that the Retirement System should anticipate new commitments totaling approximately \$275 million during 2009. Allocation to Alternative Investments will be reviewed in June, 2009.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the 2009 Annual Investment Plan for the Alternative Investment Program.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

16. Recommendation to Commit Up to \$40 Million to Portfolio Advisors Secondary Fund, L.P.

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Peterson, Seconded by Commissioner Casciato to Commit up to \$40 Million to Portfolio Advisors Secondary Fund.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

17. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The DDI reported:

- As of November 30, 2008, the fund was valued at approximately \$12.1 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended November 30, 2008, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI noted the Fund is not in compliance with allowed ranges in several asset and sub-asset classifications. Further, the DDI informed the Board that rebalancing activities will likely fail to correct these deficiencies in the near term due to extreme market volatility.
- The DDI informed the Board that Staff approved two managers to remain out of compliance with assigned Investment Guidelines:

Capital Guardian – cash currently 5.6 % vs. 5% limitation

Wellington Emerging Markets Equity – Korea currently underweight greater than 10%

- The DDI introduced Tanya Kemp, Security Analyst for Alternatives, to the Board.
- The DDI informed the Board that three proxies were voted during the month

Allied Waste Industries, Inc. Merger with Republic Services **(voted For)**

Merrill Lynch Merger with Bank of America **(voted For)**

Bank of America Issuance of New Shares **(voted For)**

- The Board directed staff to vote the following proxies:

Moved by Casciato, Seconded by Peterson to Recuse Commissioner Wright due to a potential conflict of interest.

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

Commissioner Wright left the meeting following the vote.

Moved by Casciato, Seconded by Peterson that SFERS vote all its shares in support of the Wachovia Corporation acquisition by Well Fargo & Company.

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd

Recused: Wright

Moved by Casciato, Seconded by Peterson that SFERS vote all its shares in support of the National City Corporation acquisition by PNC Financial Services Group.

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

- The DDI reported that instructions have been provided to Northern Trust to create a segregated account for securities lending collateral reinvestment. Initially this account will hold an in-kind distribution from the frozen STEP and Global Core portfolios. The DDI reported that there was recently a distribution of \$88 million from the frozen STEP portfolio, which was used to reduce exposure in securities lending. Additionally, the DDI informed the Board that the fund is participating in a staged withdrawal of securities lending activities to further reduce fund exposure.
- The DDI reported that instructions have been provided to Northern Trust to create a segregated account for cash management activities. Initially this account will hold an in-kind distribution from the frozen STEP and STAGE portfolios. The DDI reported there was recently a distribution of \$11 million from the frozen STEP portfolio, which was placed in the Investment Cash account.
- The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

The Board engaged in a question and answer session.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. **Review of the New and Underlying Fund and Structure of the San Francisco 457(b) Deferred Compensation Plan Stable Value Portfolio**

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmussen, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

19. **Deferred Compensation Manager Report**

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmussen, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

20. Board Member's Report

Commissioner Kim reported on his attendance at the World Pension Forum, November 14-20, 2008, Dubai.

Commissioner Casciato reported on his attendance at the Employee Benefits Conference, November 16-19, 2008, San Antonio, TX.

Commissioner Meiberger noted that he is scheduled for knee replacement surgery and his attendance at the January Board and Committee meeting is uncertain.

Commissioner Driscoll reported on his attendance at a briefing on the budget conducted by the Mayor's office.

Commissioner Driscoll also reported that Bridgewater and Associates had made a donation to a non-profit charity on behalf of the Board.

Commissioner Meiberger requested that the consideration of terminating Mazama be added to the February Board Calendar.

CLOSED SESSION

21. Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board met in closed session.

CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION
as Plaintiff Government Code §54956.9(b)(1); S.F. Administrative Code §67.11

Moved by Commissioner Casciato, Seconded by Commissioner Peterson to meet in Closed Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

Moved by Commissioner Casciato, Seconded by Commissioner Wright to reconvene in Open Session and not to report on the Board's discussion in Closed Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

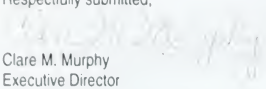
Absent: Elsbernd

Commissioner Driscoll reported that the Board had voted not to disclose discussion from the Closed Session.

22. **Adjournment**

There being no further business, the Board adjourned its meeting at 12:15 PM

Respectfully submitted,


Clare M. Murphy
Executive Director



MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

**30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102**

SPECIAL MEETING

WEDNESDAY, DECEMBER 17, 2008

8:30 am

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MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	Recused
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	Recused
Commissioner Michael Kim	8:30
Commissioner Herb Meiburger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	Recused

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. Kent Morris, Great West, noted that Great West was still analyzing the Stable Value portfolio and is willing to work with the Board to assist in a transition. The representatives from Great West left the meeting following public comment.

REGULAR CALENDAR

1. **Approval of the New Underlying Fund and Structure of the San Francisco 457(b) Deferred Compensation Plan Stable Value Portfolio.**

Caryn Bortnick, Deputy City Attorney, noted Commissioners Casciato, Elsbernd and Wright are recused from participation by a prior Board action. Ms. Bortnick disclosed pursuant to the Lexin decision that David Kushner, Deputy Director for Investments, had been involved in the review of materials for today's meeting.

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmussen, Angles Investment Advisors, presented an oral and written report on this item.

At the meeting of the Retirement Board on September 9, 2008, Board members approved the following:

"PIMCO and T.Rowe Price as stable value managers for the SFDCP Stable Value Portfolio if wrap management services are secured; otherwise exercise book value settlement and establish a new stable value portfolio with the newly appointed third party administrator to receive all new cash flow and the book value settlement."

As a result of the abovementioned action by the Retirement Board in September 2008, staff and consultant pursued Pimco and T.Rowe Price to secure wrap management services for the SFDCP Stable Value Portfolio. After an exhaustive search by T.Rowe Price and the growing disparity between the market value and book value ratio of the portfolio, neither PIMCO nor T.Rowe Price could secure wrap management services.

Staff, Consultant and Counsel reviewed options with ING Life Insurance and Annuity Company (ING) to enter into book value settlement of the interest accumulation fund and found issues that could disadvantage participants in the fund as follows:

- Potential payout over time for up to 10 years;
- Potential 0.00% crediting rate;

- Potential that ING could freeze the fund to all withdrawals during the book value settlement phase;
- A 90 day equity wash provision would be imposed by ING even at discontinuance of the existing contract;
- ING's ability to stop managing the SFDCP Stable Value Portfolio at any time during the book value settlement phase and request that the SFERS liquidate the portfolio or transfer-in-kind;
- SFDCP Stable Value Portfolio has been on watch since December of 2006 and warrants a manager change;
- Lack of ING's willingness to work with the SFERS, Consultant and Counsel to explore an alternative payment schedule as offered in the Stabilizer Contract (SFDCP Stable Value Contract); and,
- Higher fees compared to other bid responses.

Therefore, with approval from the Retirement Board, the SFERS will elect to transfer-in-kind the balance of the existing SFDCP Stable Value Portfolio at ING to Great-West Retirement Services (Great-West) effective at contract expiration on January 29, 2009.

The Board engaged in a question and answer session.

Commissioner Meiberger inquired regarding the nature and cost of current insurance wrapper. Mr. Rasmussen responded that the total cost has been approximately \$4.2 million since 1996. Ms. Cypert clarified that this is guaranteed by the claims paying ability of ING.

Ms. Murphy noted that similar market versus book value issues had been raised during the transfer from Hartford to ING.

Commissioner Driscoll noted that the Stable Value Fund has paid a relatively high rate of return for the last few years. Commissioner Driscoll noted that in regard to the insurance wrapper, ING was essentially self-insured. In response to a question from Commissioner Driscoll, Ms. Cypert confirmed that investment guidelines would be prepared for the proposed Stable Value Fund.

Commissioner Peterson discussed the option of securing a wrapper for only part of the portfolio. Ms. Cypert noted that it would not be possible to secure such a wrapper.

Commissioner Meiberger recommended that the Board consider staggered CDs in order to reduce price risk. Commissioner Kim noted that CDs were not likely to be available under current market conditions.

Moved by Commissioner Meiberger, Seconded by Commissioner Peterson to transfer in kind from the existing ING Stable Value Fund to Great West Stable Value Fund as described by staff and consultant in the memo of December 12, subject to investment guidelines, effective January 30, 2009.

Action: Approved by the following vote:

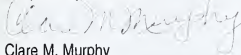
Ayes: Driscoll, Kim, Meiberger, Peterson

Recused: Casciato, Elsbernd, Wright

2. Adjournment

There being no further business, the Board adjourned its meeting at 9:30 AM

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Clare M. Murphy".

Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, JANUARY 13, 2009
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meibarger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meißerger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Note: Items may not have been heard in the order presented on the agenda.

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. Larry Mehl, participant in the Deferred Compensation Plan, addressed the Board and recommended more diversification in international investment options offered the Deferred Compensation Plan.

REGULAR CALENDAR

1. **Minutes of the December 9, 2008, Board Meeting**
Moved by Commissioner Meiberger, Seconded by Commissioner Wright to Approve the Minutes of the December 9, 2008 Board Meeting as amended.
Action: Approved by the following vote:
Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright
2. **Minutes of the Special Board Meeting of December 17, 2008**
Moved by Commissioner Meiberger, Seconded by Commissioner Peterson to Approve the Minutes of the December 17, 2008 Board Meeting as amended.
Action: Approved by the following vote:
Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright
3. **Old and Ongoing Business List**
Clare Murphy, Executive Director, presented an oral and written report on this item.

The Public Service ordinance has been approved by the Board of Supervisors and signed by the Mayor.

The Board engaged in a question and answer session.

Moved by Commissioner Peterson, Seconded by Commissioner Wright to Continue the Old and Ongoing Business List as Written.
Action: Approved by the following vote:
Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright
4. **Review and Adoption of Actuarial Valuation as of June 30, 2008**
Clare Murphy, Executive Director, Gene Kalwarski, and Ken Kent, Cheiron, Consulting Actuaries, presented an oral and written report on this item.

SFERS' surplus has decreased by \$805.3 million. The primary cause of this decrease is the inclusion of the following benefit changes under Proposition B approved on the June, 2008 ballot: 1) increased retirement accrual factors for miscellaneous plan members (resulting in an additional change in retirement rates to recognize the increased benefit) and 2) cost of living adjustments (COLA) for all new plan members (police, fire, and miscellaneous) changed from a 2.0% simple COLA to a 2.0% compound COLA. The results also reflect the change in investment assumption from 8.00% to 7.75%.

The Funding Ratio (ratio of System assets to actuarial liabilities) for SFERS declined since the last valuation by 6.4% to 103.8%.

The Net Employer Contribution Rate (contribution rate to be made by the employer as a percent of covered payroll) has increased by 4.5% to 9.49%. This reflects in increased cost of benefits under Proposition B and the decrease in the investment assumption from 8.00% to 7.75%.

The Board engaged in a question and answer session.

Ms. Murphy noted that additional actuarial reports related to the projection of employer costs would be presented at the February 10, 2009 Board meeting.

Moved by Commissioner Elsbernd, Seconded by Commissioner Wright to Accept and Adopt the Actuarial Valuation.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

5. Determination and Approval of Credited Interest Rate for Fiscal Year 2009-2010

Clare Murphy, Executive Director, Gene Kalwarski and Ken Kent, Cheiron, Consulting Actuary, presented an oral and written report on this item.

For plan year July 1, 2007 through June 30, 2008 the credited interest rate was set at 5.00%.

The Consulting Actuaries presented three options for the Board's consideration:

- 1) Until a policy study on the rate setting process is completed, leave the rate at the prior year level of 5.00%.
- 2) Lower the rate to 4.75%, reflecting the 0.25% decrease adopted by the Board in the actuarial assumption from 8.00% to 7.75%.
- 3) Lower the rate to the lowest possible rate, of 4.00%, reflecting the current state of the economy and the lower investment returns experienced by SFERS in FY 2008 and year-to-date in FY 2009.

Ms. Murphy noted that Staff will work with the Consulting Actuary to develop a policy recommendation to be presented to the Board by November, 2009.

The Board engaged in a question and answer session.

Commissioner Kim recommended that the Board consider reducing the credited interest rate to 4.75% and direct Staff to develop a policy recommendation. Commissioner Wright noted that the Board was not constrained by the lack of a policy from reducing the current rate, and the Board could adjust the rate in the future if necessary.

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Approve a Credited Interest Rate of 5% and Direct Staff to Develop a Policy Recommendation regarding the Determination of the Credited Interest Rate.

Action: Approved by the following vote:

Ayes: Casciato, Meiberger,

Noes: Driscoll, Elsbernd, Kim, Peterson, Wright

Moved by Commissioner Kim, Seconded by Commissioner Elsbernd to Approve a Credited Interest Rate of 4.75% and Direct Staff to Develop a Policy Recommendation regarding the Determination of the Credited Interest Rate.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Noes: Meiberger

6. Adoption of Employer Contribution Rates for FY 09-10

Clare Murphy, Executive Director, Gene Kalwarski and Ken Kent, Cheiron, Consulting Actuary, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Driscoll inquired regarding whether the Mayor's Office had been informed of the proposed Employer Contribution Rates. Ms. Murphy reported that the Mayor's Office had been briefed on the proposed rates.

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Adopt the Employer Contribution Rates of 9.49% for FY 09-10.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

7. Initial Review of the San Francisco Employees' Retirement System Annual Report for Fiscal Year 2007 – 2008

Clare Murphy, Executive Director, and Alison Johnson, Communications Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session.

The Annual Report will be presented for final adoption at the February 10, 2009 Board meeting. Board members may submit comments to Ms. Johnson prior to the next meeting.

This was a discussion only item.

8. Report on the Preliminary Review of the Budget for Fiscal Year 2009-2010 for the San Francisco City Employees' Retirement System

Clare Murphy, Executive Director, and Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish presented a summary of the proposed budget. Mr. Huish noted that the proposed budget reflected the recommended changes in Investment staffing, and plans for the transition in the position

of Executive Director. The budget also reflects additional rental space at 30 Van Ness for FY 2009-2010.

The Board engaged in a question and answer session.

The SFERS Budget for Fiscal year 2009-2010 will be considered by the Finance Committee on January 20, 2009 and will be presented for final adoption at the February 10, 2009 Board meeting.

This was a discussion only item.

9. Review and Adoption of Public Service Credit Policy

Clare Murphy, Executive Director, and Jay Huish, Deputy Director, presented an oral and written report on this item. This constitutes a first reading of the proposed policy. The policy will be calendared for final passage at the February Board meeting.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Adopt the Public Service Credit Policy.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

10. Review and Adoption of Unpaid Parental Leave Credit Policy

Clare Murphy, Executive Director, and Jay Huish, Deputy Director, presented an oral and written report on this item. This constitutes a first reading of the proposed policy. The policy will be calendared for final passage at the February Board meeting.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Adopt the Unpaid Parental Leave Credit Policy.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Absent:

11. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

11a. Voluntary Retirement Board List No. 07-08

11b. Decision of Hearing Officers

Gayle Alexander
Effective Date: 6/25/07

H-2 Firefighter
Fire

Industrial Disability Retirement/ Stip
Granted

Mano S. Ballard Effective Date: 4/21/07	H-32 Captain, Bureau of Fire Prevention & Public Safety Fire	Industrial Disability Retirement/ Stip Granted
Greg Breslin Effective Date: 5/20/08	Q-52 Sergeant III Police	Industrial Disability Retirement Granted
James M. Coyne Effective Date: 6/30/06	H-20 Lieutenant, Fire Dept. Fire	Industrial Disability Retirement/ Stip Granted
Raymond J. Donnelly Effective Date: 11/13/07	H-20 Acting, Lieutenant, Fire Dept, Fire	Industrial Disability Retirement/ Stip Granted
Rosemarie Espanol Effective Date: 10/1/06	2312 LVN DPH/LHH	Ordinary Disability Retirement Granted
David L. Fontana Effective Date: 9/8/06	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Leonard A. Gallard Effective Date: 12/29/07	8226 Museum Guard Fine Arts	Ordinary Disability Retirement/ Stip Denied
Joseph B. Hirsch Effective Date: 10/1/07	1930 Warehouse Worker SFCCD	Ordinary Disability Retirement Granted
Rey Ibay Effective Date: 7/12/05	Q-52 Sergeant III Police	Industrial Disability Retirement/ Stip Denied
John M. Kowal Effective Date: 1/13/07	0382 Inspector III Police	Industrial Disability Retirement/ Stip Granted
Lois Kwan Effective Date: 6/25/08	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Mitchell E. Lang Effective Date: 9/1/07	Q-52 Sergeant III Police	Industrial Disability Retirement/ Stip Granted
Phillip Spruill Effective Date: 11/1/05	9163 Transit Operator Muni	Ordinary Disability Retirement Denied
Selina Yan Effective Date: 9/6/08	2830 Public Health Nurse DPH	Ordinary Disability Retirement/ Stip Granted

11c. Petition for Rehearing

Rey Ibay Effective Date: 7/12/05	Q-52 Sergeant III Police	Industrial Disability Retirement/ Stip Denied
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11d. Request Approval for Travel for Caryn Bortnick, Deputy City Attorney, to attend the National Association of Public Pension Attorneys (NAPPA) to be held on February 4-6, 2009 in Washington, DC.

- 11e. Request Approval for Travel for Commissioner Meiberger to attend the Institutional Real Estate, Inc. Annual Editorial Board Meeting, to be held on April 13-15, 2009, in Laguna Beach, CA.

Moved by Commissioner Casciato, Seconded by Commissioner Wright to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

12. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The SFUSD Payroll remains current.

The Request for Proposal in Progress Blackout Period List was distributed to the Board; there are four outstanding RFPs subject to the Blackout Period Policy: Custodial Services, SFDPC Third Party Administration and Stable Value Portfolio Manager, Website Design, and Executive Search Firms.

There was no new litigation reported.

A Legislation Update was provided to the Board. Staff is monitoring proposed legislative changes at the federal level, and any changes resulting from the State budget.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board. The Finance Committee is scheduled to meet on January 20, 2009 to review the budget. The Personnel Committee is scheduled to meet on January 27, 2009 to consider responses to the RFP for Executive Search Services and recruitment of the Actuarial Services Coordinator. The Investment Committee is scheduled to meet on February 20, 2009.

Ms. Murphy noted the importance of maintaining a quorum at Board meetings.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

13. Approval to Invest \$25 Million in Ashmore Global Special Situations Fund V

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Peterson to Invest \$25 Million in Ashmore Global Special Situations Fund V.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

14. **Approval of Revised Investment Guidelines for Ashmore Investment Management (Short Duration Local Currency Emerging Market Debt Manager)**

David Kushner, Deputy Director for Investments, Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve Revised Investment Guidelines for Ashmore Investment Management (Short Duration Local Currency Emerging Market Debt Manager).

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

15. **Creation of Segregated Account and Approval of Investment Guidelines for Securities Lending Collateral Reinvestment**

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Wright to Create a Segregated Account and Approve Investment Guidelines for Securities Lending Collateral Reinvestment.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

16. **Creation of Segregated Account and Recommended Investment Guidelines for SFERS Segregated STEP and STAGE (Frozen Manager Cash Accounts) at The Northern Trust Company**

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Create a Segregated Account and Approve Investment Guidelines for SFERS Segregated STEP and STAGE (Frozen Manager Cash Accounts) at The Northern Trust Company.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

17. **Elimination of Custom Cash Account at The Northern Trust Company and Authorization to Invest Manager Cash in NTGI Collective Short Term Investment Fund (STIF)**

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Eliminate the Custom Cash Account at The Northern Trust Company and Authorization to Invest Manager Cash in NTGI Collective Short Term Investment Fund (STIF)

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

18. Report and Recommendation on Mazama Capital Management

David Kushner, Deputy Director for Investments, Robert Shaw, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Ms. Kautz noted that Mazama has been under review for some time due to underperformance. She further noted that there have recently been significant staff changes at Mazama, and there has been a one third reduction in their number of clients. Angeles is recommending termination of Mazama.

In response to a question from Commissioner Meiberger, Ms. Kautz noted that an ETF or index fund may be available as an alternative in the event that Mazama were to be terminated.

Mr. Shaw noted that Mazama has had issues for some time, and was recently subject to a review by staff. Mr. Shaw noted that Mazama has not yet completed a full market cycle, and their performance, while disappointing, was not unexpected. He is recommending continuing to monitor Mazama for another 12 to 18 months.

Commissioner Wright left the meeting at 10:38 AM.

Commissioner Meiberger spoke in support of moving to another small cap growth manager or ETF based on Mazama's underperformance.

Commissioner Kim noted that Mazama's asset values and number of investors has been declining, creating the potential for further decline, and spoke in support of terminating Mazama.

Mr. Kushner spoke in support of the staff recommendation to retain Mazama with continued close monitoring.

Commissioner Peterson expressed concern regarding the staff time and effort required to continue monitoring Mazama.

Moved by Commissioner Meiberger, Seconded by Commissioner Peterson to Terminate Mazama and Direct Staff to Present Options for Replacing the Manager at the February 2009 Board meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

19. Approval to Commit up to \$15 Million to NEA 13, LP

David Kushner, Deputy Director for Investments, and Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

Commissioner Kim disclosed that his firm had Co-invested with NEA on prior investments, although there are no current investments.

Commissioner Elsbernd left the meeting at 9:56.

Moved by Commissioner Meiberger, Seconded by Commissioner Wright to Recuse Commissioner Kim due to a potential conflict of interest.

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

Commissioner Kim left the meeting at 9:58

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Wright to Commit up to \$15 Million to NEA 13, LP.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Absent: Elsbernd

Recused: Kim

Commissioner Kim returned to the meeting at 10:07 AM

Break 10:07 – 10:15

20. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The DDI reported:

- As of December 31, 2008, the fund was valued at approximately \$12.2 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended December 31, 2008, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI noted the Fund is not in compliance with allowed ranges in the International Equity and Fixed income asset classifications, although at the sub-asset class level the Fund is in compliance. Further, the DDI informed the Board that no attempt to rebalance will be undertaken at this point in time due to market illiquidity in the affected areas (primarily Emerging Markets and Commercial Mortgages).
- The DDI informed the Board that Staff approved one manager to remain out of compliance with assigned Investment Guidelines:
Capital Guardian – cash currently 7.2 % vs. 5% limitation
- The DDI introduced Lindsey Adams, Security Analyst for Real Estate, to the Board.
- The Board directed staff to vote the following proxies:

Merger of Sovereign Bancorp and Banco Santander (vote FOR)

Moved by Commissioner Casciato, Seconded by Commissioner Peterson that SFERS vote all its proxy votes in support of the merger of Sovereign Bancorp and Banco Santander.

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

- The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

21. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager presented an oral and written report on this item.

Ms. Cypert noted that the Deferred Compensation Contract with Great West has been signed, with the exception of the Stable Value Fund. Ms. Cypert provided an update on the transition process, including educational sessions for participants.

The Board engaged in a question and answer session.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

22. Board Member's Report

Commissioner Kim and Commissioner Meiberger reported on their attendance at the Public Funds Boards Forum, December 13-16, 2008, San Francisco, CA

This was a discussion only item.

23. Adjournment

There being no further business, the Board adjourned its meeting at 11:30 AM.

Respectfully submitted,

Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, February 10, 2009
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meibarger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Note: Items may not have been heard in the order presented on the agenda.

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Minutes of the January 13, 2009, Board Meeting

Moved by Commissioner Meiberger, Seconded by Commissioner Wright to Approve the Minutes of the January 13, 2009 Board Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

2. Old and Ongoing Business List

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Public Service ordinance has been approved by the Board of Supervisors and signed by the Mayor. Upon adoption of the Governance Committee items on today's agenda, this item will be discontinued.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Continue the Old and Ongoing Business List as Written.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

3. Personnel Committee Report

Commissioner Kim, Chair of the Personnel Committee, reported that at their meeting of January 27, 2009, the Personnel Committee:

Approved the minutes of the November 25, 2009 Personnel Committee meeting.

The Committee received an update on the recruitment for the position of Actuarial Services Coordinator. Four new applications have been received since the last Personnel Committee meeting for the position of Actuarial Services Coordinator, in addition to the one candidate previously interviewed. One of the four new applicants has been selected for interview by staff, and the interview

is scheduled for February 4, 2009. The Committee discussed next steps, which could include the Committee interviewing the final candidates prior to recommending them to the Board. The Personnel Committee will interview the Candidates on February 17, 2009 and the Committee will present a recommendation of finalist(s) at the March 10, 2009 Board meeting.

On December 15, 2008 the Retirement System issued a Request for Proposals (RFP) for Consulting Executive Search Services. The RFP responses were due on January 15, 2009.

Eleven responses were received from the following firms:

ALLIANCE RESOURCE CONSULTING
AVERY ASSOCIATES
BOB MURAY & ASSOCIATES
BOYDEN GLOBAL SEARCH FIRM
CPS EXECUTIVE SEARCH FIRM
EFL
GILBERT TWEED ASSOCIATES
HEIDRICK & STRUGGLES
KORN FERRY
RALPH ANDERSEN & ASSOCIATES
THE WATERS CONSULTING GROUP

The Committee discussed the bids received and recommended the following semi-finalist firms to the full Board for consideration at the March meeting:

Alliance Resource Consulting
CPS Executive Search Firms
EFL
Heidrick & Struggles
Ralph Anderson & Associates

Staff recommended that the Committee review the Executive Director Terms of Reference, the class specifications for Department Head V, and recent postings for similar public pension fund executive director positions.

The Board engaged in a question and answer session.

Commissioner Driscoll noted that the full Board would have an opportunity to meet with the Personnel Committee's recommended candidate(s) for Actuarial Services Coordinator prior to the final vote.

The Board discussed dates for a special meeting to interview the finalists for the Executive Search firm search and directed staff to schedule a special Board meeting on March 17, 2009.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to hold a Special Board meeting on March 17, 2009 to interview finalists for Executive Search Firm Services.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Moved by Commissioner Casciato, Seconded by Commissioner Peterson to Accept the Personnel Committee Report.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

4. **Governance Committee Report**

Commissioner Elsbernd, Chair of the Governance Committee, reported that at their December 16, 2008 meeting the Committee:

Approved the minutes of the September 16, 2008 Governance Committee meeting;

Reviewed the 2008 Board Self-Evaluation Survey Results and forwarded them to the Full Board for approval. This item is calendared separately for action on the agenda.

Reviewed and approved the Board Education Needs Assessment Survey Results; and,

The Committee discussed the Board's planning process, including the option of a bi-annual survey and retreat process. The Committee recommended that this be continued on an annual basis, but further recommended that the 2009 retreat be held in September due to the Executive Director search process.

This was a discussion only item.

5. **Review and Approval of the 2008 Board Self-Evaluation Report and Recommendations**

Commissioner Elsbernd, Chair of the Governance Committee, reported that at its December 16, 2008 meeting, the Governance Committee reviewed the results of the 2008 Board Self-Evaluation including the various suggestions that were offered.

The Governance Committee submitted the following recommendations for the Board's consideration:

1. The Board should direct the Personnel Committee to periodically discuss with the next Executive Director ways the Board may provide the Executive Director with more and better direction and feedback.
2. The Board should direct the Executive Director to re-issue the Board Communications Policy to all board members to remind them of the Board's expectations concerning communications with external parties.
3. The Board should remind all board members of the provisions in the Code of Conduct stressing decorum and professionalism.

Commissioner Meiberger discussed the Board's Black-Out Policy as it might apply to Board member communications with the public. Ms. Murphy recommended that the matter be referred to the Governance Committee for further discussion. Commissioner Wright suggested that the Board's Communication Policy be reviewed as part of this process, particularly as it relates to who is authorized to speak on behalf of the Board.

Moved by Commissioner Casciato, Seconded by Commissioner Wright to Accept the Committee Report.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

6. Review of the 2008 Education Needs Assessment

Commissioner Elsbernd, Chair of the Governance Committee, reported that in accordance with the Board Education and Travel Policy, Staff is required to annually conduct a Board Education Needs Assessment for the purposes of preparing a board education plan for board approval.

The results of the 2008 Education Needs Assessment were provided to the Governance Committee at its December 16, 2008 meeting for information purposes. The Governance Committee submitted the results of the Assessment to the Board for information purposes.

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Continue the Old and Ongoing Business List as Written.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

7. Review and Approval of Governance Committee Recommendations Regarding Board Planning Process

Commissioner Elsbernd, Chair of the Governance Committee, reported that at its December 16, 2008 meeting, the Governance Committee reviewed staff's and Cortex's analysis concerning SFERS' various planning processes. The Governance Committee concurs with staff's and Cortex's assessment that virtually all of the current planning processes are necessary elements of the System's overall planning process, and that only minor adjustments to the timing of certain processes should be considered.

The Committee submitted the following recommendations to the Board:

1. Discontinue the use of the Old and Ongoing Business List, as significant business issues can be addressed and tracked through the existing business planning process;
2. Shift the timing of the Board Self-evaluation from December/January to March/April in order to dovetail with the election of board officers and the appointment of board committees;
3. Incorporate the Board Education Needs Assessment into the above Board Self-evaluation process for reasons of efficiency, as occurred in December 2008;
4. Schedule the Board retreat for September of each year rather than April in order to better align the retreat with the business planning process. The date of the 2009 retreat could be changed, as necessary, to reflect the appointment of a new Executive Director; and,
5. The Governance Committee considered the suggestion of staff and the consultant to conduct the Board Self-evaluation, the Board retreat, and the Education Needs Assessment every two years rather than annually. The Committee recommends however that these exercises continue to be conducted annually.

Moved by Commissioner Wright, Seconded by Commissioner Elsbernd to Approve the Committee Recommendations, and to request a report back on item 5 from the Governance Committee.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Noes: Meiberger

8. **Employer Contribution Rate Projection 2010-2014**

Clare Murphy, Acting Actuary, and Gene Kalwarski, Cheiron, presented written and oral reports on this item.

Cheiron, the Board's Consulting Actuary, has prepared a projection of Employer Contributions. The valuation assumptions, methods, and plan provisions stated in the July 1, 2008 Actuarial Valuation Report were used throughout the projection period. In addition, the SFERS member population as of July 1, 2008 was assumed throughout the period. To complete the projections, five different scenarios were used for investment return assumptions.

The Board engaged in a question and answer session.

In response to a question from Commissioner Driscoll, Mr. Kalwarski reported that there was no change in the wage assumption.

This was a discussion only item.

9. **Finance Committee Report**

Commission Casciato, Chair of the Finance Committee, reported that at their meeting of January 20, 2009 the Finance Committee:

Approved the Minutes of the Finance Committee Meeting of November 18, 2008; and

Reviewed and approved the Final Draft of Department Budget for FY 2009-2010 and recommended to the Full Board for Approval the FY 2009-2010 SFERS Department Budget.

The Department Budget for FY 2009-2010 is calendared separately for approval on the Agenda.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Accept the Finance Committee Report.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

10. **Final Approval of the Budget for Fiscal Year 2009 - 2010 for the San Francisco City Employees' Retirement System**

Jay Huish, Deputy Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

In response to a question from Commissioner Casciato regarding city-wide bumping as a result of scheduled lay-offs and budget reductions in other departments, Mr. Huish noted that most of the classifications represented at SFERS were unique to the Department and no General Fund monies are used to support positions at SFERS.

Commissioner Kim inquired regarding the investment staffing changes previously adopted by the Board. Mr. Huish noted the Department of Human Resources is currently reviewing the proposed new positions for classification, and position announcements are expected to be released with the next 60 days.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Approve the Budget for Fiscal Year 2009 - 2010 for the San Francisco City Employees' Retirement System.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

11. Final Approval of the San Francisco Employees' Retirement System Annual Report for Fiscal Year 2007-2008

Clare Murphy, Executive Director, presented and oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the San Francisco Employees' Retirement System Annual Report for Fiscal Year 2007-2008 as Amended.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

12. Initial Review and Adoption of Bona-Fide Separation Policy

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish reported that the City's Department of Human Resources has requested that the Retirement System clarify the minimum requirements for a bona-fide separation for retired members who are hired back into City employment in accordance with San Francisco Charter Section A8.511(c)(2). Generally, this Charter provision allows a retired member to be hired under special circumstances for a period of not more than 960 hours in any one fiscal year.

The Internal Revenue Code prohibits in-service distributions of pension benefits and requires a bona-fide separation from employment before a retired member who retires prior to reaching normal retirement age can return to work for the same employer. The Pension Protection Act clarified the IRS' in-service distribution rule to provide that qualified public plans are prohibited from making continued pension distributions to a rehired member who retired prior to attaining normal retirement age without a bona-fide break in employment.

The Internal Revenue Service rule considers two conditions in determining whether a separation prior to a retired member returning to work meets the test of being a bona-fide separation: first, there must be no agreement (written or verbal) to return to work as a retiree between the member and the employer before the member retired; and second, there must be a bona-fide break in employment between the member's retirement date and the date the retiree's employment will begin. A separation which does not meet these two conditions would jeopardize the qualified status of the retirement plan. IRS has indicated that a break in employment of at least sixty (60) days will satisfy its definition of bona-fide separation in these types of return to work cases.

The Board engaged in a question and answer session.

Commissioner Elsbernd discussed the need for SFERS to coordinate with the Department of Human Resources regarding the implementation of the policy. In response to a question from Commissioner Elsbernd, Ms. Murphy noted that proposed policy would not prohibit the adoption of an early retirement program.

Commissioner Driscoll noted that the proposed policy is required by the Internal Revenue Code.

Richard Rothman, retired member, inquired as to whether the policy would apply to full time and part time re-employment with the City. Mr. Huish noted that the current limit of 960 hours for reemployment applies to full and part-time employment, as would the proposed policy.

Mr. Huish noted that the proposed policy has been distributed to the Department of Human Resources for their review. The proposed policy will be presented to the Retirement Board for final adoption at the March 10, 2009 meeting.

This was a discussion only item.

13. Initial Review of Normal Retirement Age Policy

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish reported that in 2007, the Internal Revenue Service (IRS) published regulations (Federal Register T.D. 9325 (72 FR 28604)) providing transition relief guidance on in-service distributions to plan participants upon their attainment of the plan's "normal retirement age." Although the IRS regulations pertaining to the definition of "normal retirement age" were aimed at facilitating "phased retirement", the regulations apply to all tax-qualified defined benefit retirement plans. Governmental plans were initially subject to the requirements to establish "normal retirement age" by the plan year commencing on or after July 1, 2008; however, in 2008, the IRS granted governmental plans an extension of the effective date to meet the normal retirement age requirements. Under the extension, governmental plans must have established a definition of "normal retirement age" effective no later than the plan year beginning on or after January 1, 2011.

Retirement staff requests that the Retirement Board establish a definition of "normal retirement age" for each of the SFERS plans at this time in order to establish the definition for compliance with the IRS' rule regarding bona-fide separations prior to a retired member returning to work.

The Board engaged in a question and answer session.

The proposed policy will be presented to the Retirement Board for final adoption at the March 10, 2009 meeting.

This was a discussion only item.

14. Final Approval of Purchase of Unpaid Parental Leave Policy

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish reported that at the November 4, 2008 City-wide election, the voters approved Proposition G which created Charter Section A8.523 which allows SFERS members to purchase a maximum of four months of service for each period of unpaid parental leave taken during City employment prior to July 1, 2003. The proposed Retirement Board policy, initially presented to the Board at the January, 2009 Board meeting, conforms to the approved Charter amendment and provides the policies and procedures needed to administer the new Charter provisions. The Retirement Board is empowered to enact this policy by the authority granted in San Francisco Charter Section A8.523.

The only policy recommendation that was not specifically included in the approved Charter amendment is related to the use of direct rollovers from other qualified plans to purchase service for unpaid parental leave. Retirement staff recommends that the Retirement Board direct the City Attorney to draft an amendment to San Francisco Administrative Code Section 16.61-5 to allow a member to use qualified rollovers to purchase service for periods of unpaid parental leave.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Unpaid Parental Leave Policy as presented and direct the City Attorney to draft an amendment to San Francisco Administrative Code Section 16.61-5 to allow a member to use qualified rollovers to purchase retirement service for periods of unpaid parental leave.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

15. Final Approval of Purchase of Public Service Policy

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish reported that its November 13, 2007 meeting, the Retirement Board approved Retirement staff's recommendations regarding the purchase of public service which included the introduction of an amendment to San Francisco Administrative Code Section 16.55-1 through 16.55-5 to implement the recommended changes to the policy. This amendment was approved by the Board of Supervisors in December 2008 and staff has prepared an amended Public Service Board Policy that conforms to the enacted ordinance changes. This proposed policy was initially presented to the Board at the January, 2009 Board meeting.

Mr. Huish noted that this is the remaining item on the Old and Ongoing Business List, which will be discontinued upon adoption of the item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Approve the Purchase of Public Service Policy.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

16. Semi Annual Review of the Disability Application Process

Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

17. Retirement System Travel Expense Report for the Period Beginning October 1 through December 31, 2008

Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

18. Review of Statement of Economic Interest Form 700

Caryn Bortnick, Deputy City Attorney, and Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Board was provided copies of the 2008 Annual Statement of Economic Interest Form 700, the Certificate of Ethics Training, and the Sunshine Ordinance Declaration to be completed each Board member.

These forms must be filed by Wednesday, April 1, 2009 with the Ethics Commission. Penalties may be imposed for those individuals who fail to complete and return this form by the filing deadline of April 1. Board members were requested to complete the forms and return fully executed copies to Mr. Nickens by the close of business Wednesday, March 25, 2009.

The Board engaged in a question and answer session.

This was a discussion only item.

19. Seth Bertram - Review and Approval of Hearing Officer Decision

Clare Murphy, Executive Director, and Caryn Bortnick, Deputy City Attorney, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Driscoll requested to be recused from participation in this matter upon recommendation of the City Attorney.

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Recuse Commissioner Driscoll.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Absent: Kim

Commissioner Driscoll left the meeting at 11:08 and returned at 11:12

Caryn Bortnick reported that clerical errors in the original Hearing Officer decision have been corrected, that she has reviewed this matter, and recommend approval of the Hearing Officer decision based on her review of the record.

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Accept the Hearing Officer decision in the matter of Seth Bertram.

Action: Approved by the following vote:

Ayes: Casciato, Elsbernd, Meiberger, Peterson, Wright

Absent: Kim

Recused: Driscoll

20. Adjustment of Retirement Allowance – Paula C. Corcoran (Requires ballot vote)

Action: Approved by ballot vote

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

21. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

21a. Voluntary Retirement Board List No. 08-08

21b. Decision of Hearing Officers

Richard T. Andrews Effective Date: 3/19/08	Q-52 Police Officer Police	Industrial Disability Retirement/ Stip Granted
Robert J. Barbero Effective Date: 6/30/07	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Robert C. Bassett Effective Date: 11/1/06	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Granted
Bernard L. Bourke Effective Date: 12/30/06	H-20 Lieutenant, Fire Dept. Fire	Industrial Disability Retirement/ Stip Granted
Richard D. Bracco Effective Date: 8/12/06	H-40 Acting, Battalion Chief Fire	Industrial Disability Retirement/ Stip Granted
Cynthia A. Dennis Effective Date: 4/1/07	9163 Transit Operator Muni	Ordinary Disability Retirement Granted
Joanna M. Dusich Effective Date: 12/6/07	2320 Registered Nurse DPH	Ordinary Disability Retirement Granted
Regina Francis Effective Date: 1/15/07	1428 Unit Clerk SFGH	Ordinary Disability Retirement/ Stip Granted
Reynaldo L. Gagaza Effective Date: 9/1/08	2736 Porter DPH	Ordinary Disability Retirement Granted
Rosanna Grundy Effective Date: 1/5/05	1210 Benefits Analyst HSS	Ordinary Disability Retirement Denied
Michael B. Murphy	H-2 Firefighter	Industrial Disability Retirement

Effective Date: 11/2/08	Fire	Granted
William R. Pressley Effective Date: 9/6/05	1003 IS Operator-Senior DHS	Ordinary Disability Retirement /Stip Denied
Amalia C. Resuello Effective Date: 10/1/04	2320 Registered Nurse DPH/LHH	Ordinary Disability Retirement Granted
Manuel Serrano Effective Date: 11/1/01	3417 Gardener SFUSD	Ordinary Disability Retirement Denied
Nadim P. Totah, Jr. Effective Date: 2/5/08	0382 Inspector III Police	Industrial Disability Retirement /Stip Denied
Pamela M. White Effective Date: 4/17/07	1406 Sr. Clerk DPH	Ordinary Disability Retirement Denied

21c. Petition for Rehearing

Rosanna Grundy Effective Date: 1/5/05	1210 Benefits Analyst HSS	Ordinary Disability Retirement Denied
Pamela M. White Effective Date: 4/17/07	1406 Sr. Clerk DPH	Ordinary Disability Retirement Denied

21d. Dismissal of Disability Retirement Application

Calvin P. Pollard – Ordinary Disability Retirement

21e. Request Approval for Commissioner Herb Meiburger, and other Board Members, to attend the CALAPRS General Assembly to be held in Monterey, CA on March 1-3, 2009.

21f. Request Approval for Commissioner Al Casciato to attend the Institutional Investor The Search for Alpha Forum, to be held on March 16-17, 2009, in San Francisco, CA.

21g. Request Approval for Commissioner Brenda Wright to attend the Institutional Investor 2009 Public Funds Roundtable to be held on April 22-24, 2009 in San Diego, CA.

Action:

Moved by Commissioner Casciato, Seconded by Commissioner Meiburger to Approve the Consent Calendar as Amended (item 21f was withdrawn by Commissioner Casciato).

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiburger, Peterson, Wright

22. Executive Director's Report

The Unified School District remains current in reporting, and SFERS is beginning process for preparing annual statements with USD

The Black-Out Period List was distributed to the Board; Great-West Retirement Services has been removed from Black-Out list

In regard to a legislation update, the text of a proposed State Constitutional amendment to restrict public sector pension benefits was circulated.

A litigation update will be provided under the Closed Session of the meeting.

SFERS has met with the POA to discuss transfer of Airport Police to CalPERS. Discussions with CalPERS are on-going.

The Educational Opportunities List and Forward Calendar were distributed to the Board.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

23. Report on Proxy Voting for 2008

David Kushner, Deputy Director for Investments, Mark Coleman, Security Analyst, and Fassil Michael, Managing Director of the Proxy Voting Services Division of Institutional Shareholder Services, presented an oral and written report on this item

The Board engaged in a question and answer session.

This was a discussion only item.

24. Approval of Proxy Voting Guidelines for 2009

David Kushner, Deputy Director for Investments, Mark Coleman, Security Analyst, and Fassil Michael, Managing Director of the Proxy Voting Services Division of Institutional Shareholder Services, presented an oral and written report on this item

The Board engaged in a question and answer session.

Action: Approved by ballot vote

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

25. Review of Currency Overlay Program and Approval to Issue RFP

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item

The Board engaged in a question and answer session.

Commissioner Meiberger expressed concern regarding the possibility of adding higher risk through foreign currency exposure to the portfolio.

Moved by Commissioner Driscoll, Seconded by Commissioner Elsbernd to Approve the Issuance of an RFP for Investment Management Services for Active Currency Overlay.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Noes: Meiberger

26. **Approval to Invest Up To \$30 Million in Hellman Friedman Capital Partners VII**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item

The Board engaged in a question and answer session.

Moved by Commissioner Kim, Seconded by Commissioner Casciato to Invest up to \$30 Million in Hellman Friedman Capital Partners VII.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Commissioner Kim left the meeting at 10:50 AM

27. **Discussion of Investment Plan for Small Cap Growth Assets**
David Kushner, Deputy Director for Investments, presented an oral and written report on this item

The Board engaged in a question and answer session.

This was a discussion only item.

28. **Deputy Director for Investments Report**
David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

The DDI reported:

As of January 31, 2009, the fund was valued at approximately \$11.7 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended January 31, 2009, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.

The DDI noted the Fund is not in compliance with allowed ranges in the International Equity, Fixed Income and Real Estate asset classifications. Further, the DDI informed the Board that no attempt to rebalance will be undertaken at this point in time due to market illiquidity in the affected areas (primarily Emerging Markets and Commercial Mortgages).

The DDI informed the Board that Staff approved one manager to remain out of compliance with assigned Investment Guidelines:

Capital Guardian – cash currently greater than 5% limitation

The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

29. **Deferred Compensation Manager Report**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Ms. Cypert reported that contracts with the new Deferred Compensation Third Party Administrator have been signed.

The Board engaged in a question and answer session.

Commissioner Casciato commended staff for arranging the informational meetings with participants regarding the transfer of the Deferred Compensation Plan to Great-West Retirement Services. Ms. Cypert noted that Great-West conducted 267 transition meetings with over 3,443 participants during the month of January 2009; SFERS staff also attended many of these sessions.

Ms. Cypert reported that revised investment guidelines for the Stable Value Fund would be presented to the Board at the March meeting.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

30. Board Member's Report

Commissioner Casciato reported on his attendance at the Emerging Manager Conf., January 14-15, 2009, Las Vegas, NV.

Commissioner Wright reported on her attendance at the Institutional Investor Conf., February 2-4, 2009, New York, NY.

Commissioner Meiberger reported on his attendance at the IREI's Vision Insights, February 2-5, 2009, Carlsbad, CA.

Commissioner Kim announced that his term expires on February 20, 2009 and he has asked not to be considered for reappointment as he may be relocating his residence outside of San Francisco. He will continue to serve until a replacement is announced.

This was a discussion only item.

CLOSED SESSION

31. Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10 and §67.12(b)(3), the Retirement Board met in closed session.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to meet in Closed Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

CONFERENCE WITH LEGAL COUNSEL – LITIGATION

as Defendant Government Code §54956.9(b)(1); S.F. Administrative Code §67.11 and §67.12(b)(3)
(Two Cases, SFERS as Defendant and Discussion of Possible Settlement)

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Reconvene in Open Session.

Action: Approved by the following vote:

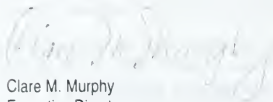
Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Commissioner Driscoll reported that the Board had directed the City Attorney to take action in two matters, and to report back to the Board at the March meeting.

32. **Adjournment**

There being no further business, the Board adjourned its meeting at 11:30 AM.

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, MARCH 10, 2009
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiburger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	Absent

Note: Items may not have been heard in the order presented on the agenda.

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Minutes of the February 10, 2009, Board Meeting

Moved by Commissioner Elsbernd, seconded by Commissioner Casciato to Approve the Minutes of the February 10, 2009 Board Meeting

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiburger, Peterson,

Absent: Wright

2. Personnel Committee Reports – February 17, February 24 and March 10, 2009

Commissioners Kim and Driscoll presented an oral and written report on this item. At their meetings of February 17, 2009, February 24 and March 10, 2009 the Personnel Committee:

Approved the minutes of the November 25, 2008, February 17, 2009 and February 24, 2009 Personnel Committee meetings.

At the meeting of February 17, 2009 the Committee interviewed two candidates for the position of Actuarial Services Coordinator in Closed Session, and recommended that the Full Board interview one candidate in Closed Session at the March 10, 2009 Board meeting and directed staff to contact the candidate to arrange for the interview. This item is calendared for a Closed Session at the March 10, 2009 Board meeting.

At the meeting of February 24, 2009 the Committee interviewed the following semi-finalist firms for Executive Search firm services:

Alliance Resource Consulting
CPS Executive Search Firms
EFL
Heidrick & Struggles
Ralph Anderson & Associates

The Personnel Committee also met on March 10, 2009 to discuss the semi-finalists and to recommend finalist firms for the full Board to interview at a Special Board Meeting to be held on March 17, 2009. The Committee recommended that the Board interview the following firms on March 17:

Alliance,
EFL,
Heidrick & Struggles

The Board engaged in a question and answer session.

This was a discussion only item.

3. Public Employee Appointment/Hiring: Actuarial Services Coordinator

Clare Murphy, Executive Director, and Dianne Owens-Lewis, Human Resources Manager, presented an oral and written report on this item.

Moved by Commissioner Elsbernd, seconded by Commissioner Peterson to meet in Closed Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson

Absent: Kim, Wright

Pursuant to the Ralph M. Brown Act, Government Code Government Code Section 54957(b) and the Sunshine Act, San Francisco Administrative Code Section 67.10 and §67.8(a)(4), the Board met in closed session.

PUBLIC EMPLOYEE APPOINTMENT/HIRING

Title/description of position(s) to be filled:

Actuarial Services Coordinator

Moved by Commissioner Elsbernd, Seconded by Commissioner Peterson to Reconvene in Open Session and Not Disclose Discussion.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson

Absent: Kim, Wright

Commissioner Driscoll reported that the Board had voted not to disclose discussion.

Break: 10:13 – 10:21 AM.

4. Review and Approval of Request for Proposal for Board Governance Consultant

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish reported that the current consulting agreement with the Retirement Board's fiduciary governance consultant – Cortex Applied Research, Inc. – will expire on June 30, 2009. In accordance with the Retirement Board's Service Provider Service Selection Policy, Retirement staff recommended that the Retirement Board issue a Request for Proposal (RFP) for these services as it has been over five years since the last RFP was issued for these services.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Peterson to Approve the Issuance of a Request for Proposal for Fiduciary Governance Consulting Services for the Retirement Board.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson

Absent: Kim, Wright

5. Review and Approval of Basic COLA Effective July 1, 2009

Clare Murphy, Executive Director, and Jay Huish, Deputy Director, presented an oral and written report on this item.

San Francisco Charter §A8.526 provides that on each July 1, cost of living adjustments will be made to SFERS retirement allowances for all Miscellaneous retirees and for Safety retirees who retired under San Francisco Charter §§A8.586, A8.588, A8.597 and A8.598 based on the percentage increase (or decrease) in the San Francisco-Oakland-San Jose CPI (measured from December to December) for that calendar year. The cost of living adjustment is calculated by rounding the percentage increase or decrease to the nearest one percent and any annual increase is limited to a maximum of 2%.

The San Francisco-Oakland-San Jose CPI had a 0.00% increase from 218.485 in December 2007 to 218.528 in December 2008. Based on a 0.00% CPI increase for calendar year 2008, Charter §A8.526 provides that SFERS members who retired on or after July 2, 2008 will receive no cost of living increase (Basic COLA) payable effective July 1, 2009. For retired SFERS members who retired prior to July 2, 2008, a cost of living increase (Basic COLA) of 2% of their June 30, 2009 monthly allowance will be payable out of their accumulated COLA Bank effective July 1, 2009.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to approve Charter Section A8.526 Cost of Living (Basic COLA) Increase of 2% Payable Effective July 1, 2009 for all Qualified SFERS Retirees who Retired Prior to July 2, 2008, to be Paid from the Excess CPI Accumulated in the COLA Bank for these Retirees.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson

Absent: Kim, Wright

6. Review and Adoption of Operating Factor Tables

Clare Murphy, Executive Director, and Jay Huish, Deputy Director, presented an oral and written report on this item.

Based on the Retirement Board's approval of the consulting actuary's recommendation to reduce the assumed rate of return on the trust from 8.00% to 7.75% at its November 12, 2008 regular meeting, Cheiron has prepared updated operating tables to reflect the change in the rate of return assumption. The updated operating tables have been provided for staff to use for calculations with an effective date of July 1, 2009 or later in the following situations: calculating the monthly benefit for members electing an optional form of payment with an enhanced death benefit, adjusting the monthly benefit for

members who do not pay off an account shortage, and calculating the vested termination benefit for a Miscellaneous member based on two times the member contribution account balance.

The Board engaged in a question and answer session.

Ms. Murphy noted that the full Operating Factor Tables were quite voluminous; however they are available for review by interested Board members.

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to approve the Actuarial Operating Tables effective July 1, 2009.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiburger, Peterson

Absent: Kim, Wright

7. Semi Annual Operations Division Report

Jay Huish, Deputy Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

8. Report on Project Status of SFERS Business Plan

Jay Huish, Deputy Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

9. Final Approval of Normal Retirement Age Policy

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish reported that in 2007, the Internal Revenue Service (IRS) published regulations (Federal Register T.D. 9325 (72 FR 28604)) providing transition relief guidance on in-service distributions to plan participants upon their attainment of the plan's "normal retirement age." Although the IRS regulations pertaining to the definition of "normal retirement age" were aimed at facilitating "phased retirement", the regulations apply to all tax-qualified defined benefit retirement plans. Governmental plans were initially subject to the requirements to establish "normal retirement age" by the plan year commencing on or after July 1, 2008; however, in 2008, the IRS granted governmental plans an extension of the effective date to meet the normal retirement age requirements. Under the extension, governmental plans must have established a definition of "normal retirement age" effective no later than the plan year beginning on or after January 1, 2011.

Retirement staff requested that the Retirement Board establish a definition of "normal retirement age" for each of the SFERS plans at this time in order to establish the definition for compliance with the IRS' rule regarding bona-fide separations prior to a retired member returning to work.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to approve the Normal Retirement Age Policy.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson

Absent: Kim, Wright

10. Final Approval of Bona-Fide Separation Policy

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish reported that the City's Department of Human Resources has requested that the Retirement System clarify the minimum requirements for a bona-fide separation for retired members who are hired back into City employment in accordance with San Francisco Charter Section A8.511(c)(2). Generally, this Charter provision allows a retired member to be hired under special circumstances for a period of not more than 960 hours in any one fiscal year.

The Internal Revenue Code prohibits in-service distributions of pension benefits and requires a bona-fide separation from employment before a retired member who retires prior to reaching normal retirement age can return to work for the same employer. The Pension Protection Act clarified the IRS' in-service distribution rule to provide that qualified public plans are prohibited from making continued pension distributions to a rehired member who retired prior to attaining normal retirement age without a bona-fide break in employment.

The Internal Revenue Service rule considers two conditions in determining whether a separation prior to a retired member returning to work meets the test of being a bona-fide separation: first, there must be no agreement (written or verbal) to return to work as a retiree between the member and the employer before the member retired; and second, there must be a bona-fide break in employment between the member's retirement date and the date the retiree's employment will begin. A separation which does not meet these two conditions would jeopardize the qualified status of the retirement plan. IRS has indicated that a break in employment of at least sixty (60) days will satisfy its definition of bona-fide separation in these types of return to work cases.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to approve the Bona-Fide Separation Policy.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson

Absent: Kim, Wright

11. Adjustment of Retirement Allowance – James P. McCoy

Action: Approved by ballot vote

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson

Absent: Kim, Wright

12. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate

discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

12a. Voluntary Retirement Board List No. 09-08

12b. Decision of Hearing Officers

Tony R. Byrd Effective Date: 7/1/08	9102 Transit Car Cleaner Muni	Ordinary Disability Retirement Granted
Brian M. D'Arcy Effective Date: 10/7/06	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
William G. Landivar Effective Date: 3/24/06	H-30 Acting, Captain (Fire Dept) Fire	Industrial Disability Retirement/ Stip Denied
Michael Mahoney Effective Date: 4/19/08	7347 Plumber Rec. & Park	Ordinary Disability Retirement Granted
Thomas Masterson Effective Date: 6/29/06	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Denied

12c. Dismissal of Disability Retirement Application

Joseph C. Asaro – Industrial Disability Retirement
Robert E. Faenzi – Industrial Disability Retirement
Edward Gee - Industrial Disability Retirement
Thomas Tuckerson – Ordinary Disability Retirement

12d. Request Approval for Commissioner Richard Peterson, Jr., to attend the Pension Real Estate Association (PREA) conference to be held on March 25-26, 2009, in Washington, DC.

12e. Request Approval for Commissioner Al Casciato to attend the Stars and Stripes 2009 Conference to be held on April 26-28, 2009, in Miami, FL.

12f. Approval of Resolution of Commendation for Lois Black, Retiring SFERS Staff Member
Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson

Absent: Kim, Wright

13. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Unified School District remains current in reporting.

The Black-Out Period List was distributed to the Board. There has been progress on the web site redesign project; additional information will be presented at a future Board meeting.

The Mayor's Office continues to review the budget, and hearings are expected before the Board of Supervisors in May.

Proposed federal legislation has been introduced that would allow public pension plans to invest in federal guaranteed assets with a minimum 8.25% rate of return.

A litigation update will be provided under the Closed Session of the meeting.

Concerns regarding actual or proposed lay off of employees have resulted in an increase in counseling by member services.

The Educational Opportunities List and Forward Calendar were distributed to the Board.

The Board will hold a Special meeting on March 17, 2009 to interview finalists for Executive Search Firm Services.

Ms. Murphy reported on her attendance at the CALAPRS General Assembly, March 1-3, 2009, Monterey, CA.

Commissioner Elsbernd left the meeting at 11:50 AM.

The Board engaged in a question and answer session.

This was a discussion only item.

14. City Attorney's Report

Caryn Bortnick, Deputy City Attorney, presented an oral report on this item.

Ms. Bortnick reported on two items:

A settlement has been reached in the claim of Olive Davis.

The IRS has recently completed a survey of 25 public plans, it is anticipated that an additional 100 public plans will be surveyed later in the year. Staff continues to review compliance issues that may be subject to future regulation or guidance.

This was a discussion item only.

INVESTMENT CALENDAR

15. Investment Committee Report

Commissioner Driscoll, member of the Investment Committee, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

16. Report on the Investment Performance of the Retirement Fund for the Quarter Ending December 31, 2008

David Kushner, Deputy Director, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The board engaged in a question and answer session.

This was a discussion only item.

17. Report on Brokerage Commissions Generated by the Retirement Fund during the Quarter Ended December 31, 2008

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

18. Approval to Commit up to \$ 25 Million to Advent Capital management Convertible Securities Recovery Fund (CSRF)

David Kushner, Deputy Director for Investments, Robert Shaw, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, seconded by Commissioner Peterson to Commit up to \$25 Million to Advent Capital Management Convertible Securities Recovery Fund.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Peterson

Noes: Meiberger

Absent: Kim, Wright

19. Approval to Commit up to \$ 25 Million to TA Associates XI, L. P.

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom, and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, seconded by Commissioner Peterson to Commit up to \$ 25 Million to TA Associates XI, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson

Absent: Kim, Wright

20. Approval to Commit up to \$ 25 Million to TA Subordinated Debt Fund III, L.P.

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom, and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, seconded by Commissioner Peterson to Commit up to \$25 Million to TA Associates XI, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson

Absent: Kim, Wright

21. **Deputy Director for Investments Report**

David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

The DDI reported:

- As of February 28, 2009, the fund was valued at approximately \$11.2 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended February 28, 2009, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI noted the Fund is not in compliance with allowed ranges in the Domestic Equity, International Equity, Fixed Income and Real Estate asset classifications. Further, the DDI informed the Board that no attempt to rebalance will be undertaken at this point in time due to market illiquidity in the affected areas (primarily Emerging Markets and Commercial Mortgages).
- The DDI informed the Board that Staff approved one manager to remain out of compliance with assigned Investment Guidelines: Capital Guardian – cash currently greater than 5% limitation.
- The DDI reported to the Board that the payable due to Northern Trust (approximately \$ 22 million) due to losses on collateral reinvestment (bankruptcy of Lehman, Sigma/Theta SIVs) in the Securities Lending program have been paid.
- The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

The Board engaged in a question and answer session.

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

22. **Review of the SFDCP Semi-Annual Investment Performance Analysis Provided by Angeles Investment Advisors**

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmusen, Senior Consultant, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

23. Approval of the New Underlying Fund for the SFDCP Mid Cap Core Equity Portfolio

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmusen, Senior Consultant, Angeles Investment Advisors, presented an oral and written report on this item.

Caryn Bortnick, Deputy City Attorney, noted that Commissioners Casciato, Elsbernd and Wright were recused from participation on this item by previous Board action.

The Board engaged in a question and answer session.

Moved by Commissioner Kim, seconded by Commissioner Meiberger to approve the Fidelity Low Priced Stock Fund as the New Underlying Fund for SFDCP Mid Cap Core Equity Portfolio.

Action: Approved by the following vote:

Ayes: Driscoll, Kim, Meiberger, Peterson

Recused: Casciato, Elsbernd

Absent: Wright

24. Approve Revisions to the City and County of San Francisco 457(b) Deferred Compensation Plan Investment Policy Statement

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmusen, Senior Consultant, Angeles Investment Advisors, presented an oral and written report on this item.

Caryn Bortnick, Deputy City Attorney, noted that Commissioners Casciato, Elsbernd and Wright were recused from participation on this item by previous Board action.

The Board engaged in a question and answer session.

Cathe Tocher, Vice President of Investments, Great-West, responded to questions from Commissioner Meiberger. Commissioner Meiberger requested that a target duration be added in the Investment Policy Statement on page C-3. Ms. Cypert noted this was addressed in the contract with Great-West; however it could also be added to the Investment Policy Statement.

Commissioner Meiberger recommended that the manager conduct due diligence rather than relying on rating agencies. Ms. Cypert and Mr. Rasmusen agreed to the change in the Investment Policy Statement.

Moved by Commissioner Kim, seconded by Commissioner Meiberger to Approve Revisions to the City and County of San Francisco 457(b) Deferred compensation Plan Investment Policy Statement as amended to include due diligence by the Managers.

Action: Approved by the following vote:

Ayes: Driscoll, Kim, Meiberger, Peterson

Recused: Casciato, Elsbernd

Absent: Wright

25. Review of the SFDCP Stable Value Fund Report Provided by Great-West Retirement Services

Carol Cypert, Deferred Compensation Manager, Andrew Rasmusen, Senior Consultant, Angeles Investment Advisors, Cathe Tocher, Vice President of Investments, Great-West, and Al Cunningham, Director, Advised Assets Group, Great-West, presented an oral and written report on this item.

Commissioners Casciato, Elsbernd joined the meeting at 9:03 AM.

Commissioner Kim left the meeting at 9:03 AM.

The Board engaged in a question and answer session.

Commissioner Meiberger inquired regarding the possibility of purchasing Certificates of Deposit that would be guaranteed by the FDIC. Ms. Tocher responded that she would need to conduct additional research and report back to the Board.

Commissioner Casciato inquired where members may request additional information regarding the Stable Value Fund transfer of assets. Ms. Murphy recommended that questions be directed to Ms. Cypert, and noted that staff would consult with Great-West regarding any member concerns.

Ms. Cypert noted that quarterly reports are available, and that monthly reports could be requested by staff.

This was a discussion item only.

26. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion item only.

RETIREMENT BOARD MEMBER'S REPORT

27. Board Member's Report

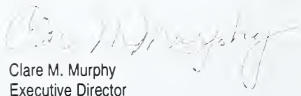
Commissioner Meiberger reported on his attendance at the CALAPRS General Assembly, March 1-3, 2009, Monterey, CA.

Commissioner Peterson noted that Clare Murphy received a special commendation award from the Municipal Fiscal Advisory Committee.

28. Adjournment

There being no further business, the Board adjourned its meeting at 12:05 PM.

Respectfully submitted,


Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, MARCH 17, 2009
8:30 AM

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

GOVERNMENT
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APR 16 2009

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PUBLIC LIBRARY

Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiburger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	Absent

Note: Items may not have been heard in the order presented on the agenda.

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Interview of Semi-Finalists for Executive Search Firm Services

Clare Murphy, Executive Director, and Dianne Owens-Lewis, Human Resources Manager, presented an oral and written report on this item.

At their meeting of February 24, 2009 the Personnel Committee interviewed semi-finalist firms for Executive Search firm services. The Personnel Committee also met on March 10, 2009 to discuss the semi-finalists and to recommend finalist firms for the full Board to interview at a Special Board Meeting to be held on March 17, 2009. At the March 10 meeting, the Board voted to interview the following firms on March 17:

Alliance Resource Consulting
EFL
Heidrick & Struggles

Ms. Owens-Lewis reviewed the interview procedures and evaluation criteria with the Board.

The Board engaged in a question and answer session.

Commissioner Driscoll reminded the Board that the Black-out policy was still in effect as this is part of an on-going RFP process. Commissioner Driscoll also noted that the resulting contract would be subject to the City's contract approval process, which could result in delays to the timeline discussed by the Board for recruitment of the position of Executive Director.

Commissioner Kim, Chair of the Personnel Committee, noted that the reclassification of the position of Executive Director from Department Head IV to Department Head V has not been finalized. The goal of the Personnel Committee is to have the Board select a vendor at the April 14 Board meeting, and to complete the contract negotiation and approval process by the May Board meeting.

Commissioner Driscoll noted that the process would be lead by the Personnel Committee, although the full Board would be involved in defining the position and interviewing the final candidates.

Commissioner Meiberger discussed the time-line for filling the position.

The Board conducted interviews with the finalists, discussed their initial impressions of the finalists, and provided further direction to staff regarding reference checks and supplemental information on the finalists. Staff collected the Board's notes, score sheets, and other materials related to the selection process.

Commissioner Casciato requested all of the firms being interviewed to address the issue of the use of public pension funds to support an Executive Search Firm process. All firms commented on the importance of the position of Executive Director to the organization, particularly in the role of overseeing the SFERS investment staff.

Following the conclusion of the interview with Alliance Resource Consulting, Commissioner Meiberger disclosed that he is currently a candidate for a position being recruited by one of the candidate firms, and that the same position had previously been recruited by one of the other candidate firms.

Caryn Bortnick, Deputy City Attorney, noted that the disclosure is required under law although may not be a formal conflict.

Commissioners Driscoll and Elsbernd noted the importance to avoid the appearance of conflict.

Commissioner Meiberger moved and Commissioner Casciato Seconded to Recuse Commissioner Meiberger from Voting on the Selection of Executive Search Firm Service to Avoid the Appearance of Conflict.

Action:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson

Absent: Wright

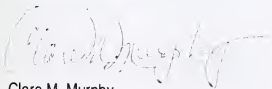
Commissioner Meiberger left the meeting at 9:54.

The Board directed that the selection of the finalist be placed on the April Board calendar.

2. Adjournment

There being no further business, the Board adjourned its meeting at 11:50 AM.

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, APRIL 14, 2009
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Richard H. Peterson, Jr.

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Clare M. Murphy

Executive Director

Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Note: Items may not have been heard in the order presented on the agenda.

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Minutes of the March 10, 2009, Board Meeting

Moved by Commissioner Casciato, seconded by Commissioner Meiberger to Approve the Minutes of the March 10, 2009 Board Meeting

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

2. Minutes of the Special Board Meeting of March 17, 2009

Moved by Commissioner Meiberger, seconded by Commissioner Casciato to recuse Commissioner Meiberger.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Commissioner Meiberger left the meeting at 8:34 AM

Moved by Commissioner Elsbernd, seconded by Commissioner Kim to Approve the Minutes of the March 17, 2009 Board Meeting as Amended.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Recused: Meiberger

3. Approval of Finalist for Executive Search Firm Services

Clare Murphy, Executive Director presented an oral and written report on this item.

At their meeting of March 17, 2009 the Board interviewed the following firms:

Alliance,
EFL,
Heidrick & Struggles

Commissioner Driscoll reminded the Board that the Board's Blackout Policy was still in effect regarding this RFP. Commissioner Kim, Chair of the Personnel Committee, summarized the RFP and review process. Copies of the scoring matrix based on interviews conducted with the firms prepared by the Board members were distributed to the Board.

The Board's scores were:

Alliance:	150.5
EFL:	180.5
Heidrick & Struggles:	179.5

Ms. Murphy summarized the results of the reference checks conducted by staff. EFL and Heidrick & Struggles were identified as having conducted the largest number of comparable searches, and the most recent experience with similar searches.

The Board engaged in a question and answer session.

The Board members summarized their comments regarding the interviews with the firms conducted at the March 17th Board meeting.

Moved by Commissioner Kim, seconded by Commissioner Elsbernd to Approve EFL as Finalist for Executive Search Firm Services and Authorize Staff to Commence Contract Negotiations.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Recused: Meiburger

4. Retirement System Travel Expense Report for the Period Ending March 31, 2009

Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was an information only item.

5. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

5a. Voluntary Retirement Board List No. 10-08

5b. Decision of Hearing Officers

Anthony E. Carrasco Effective Date: 12/29/07	8304 Deputy Sheriff Sheriff	PERS Granted
Betty J. Dear Effective Date: 4/19/08	1823 Sr. Administrative Analyst DPH	Ordinary Disability Retirement Denied
Antonio Ebuén	2736 Porter	Ordinary Disability Retirement

Effective Date: 6/1/08	DPH	Granted
Demarco Foster Effective Date: 2/1/06	Q-2 Police Officer Police	Industrial Disability Retirement Granted
Johnny Fung Effective Date:	8304 Deputy Sheriff Sheriff	PERS Denied
Luisa E. Garcia Effective Date: 7/1/07	2302 Nursing Assistant DPH	Ordinary Disability Retirement/Stip Granted

5c. Petition for Rehearing

Betty J. Dear Effective Date: 4/19/08	1823 Sr. Administrative Analyst DPH	Ordinary Disability Retirement Denied
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5d. Dismissal of Disability Retirement Application

Anthony P. Avalos – Industrial Disability Retirement
Patricia M. Saturino – Ordinary Disability Retirement
Joseph Sorensen – Industrial Disability Retirement

5e. Request Approval for Herb Meiberger, Commissioner, and other Board Members to attend the SACRS Conference to be held on May 12-15, 2009, in San Francisco, CA.

5f. Request Approval for Brenda Wright, Commissioner, to attend the National Association of Securities Professionals (NASP), to be held on June 10-12, 2009, in Atlanta, GA.

5g. Request Approval for Brenda Wright, Commissioner, to attend the Plan Sponsor & Minority Manager Consortium, to be held on June 17-18, 2009, in Beverly Hills, CA.

Commissioner Meiberger returned to the meeting at 9:00 AM.

Moved by Commissioner Casciato, seconded by Commissioner Wright to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

6. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Unified School District remains current in reporting of payroll, and the pretesting of data for annual statements has begun.

The Black-Out Period List was distributed to the Board.

There has been no new litigation.

Reference checking has concluded in regard to the position of Actuarial Services Coordinator; however the position is still being reviewed by the Department of Human Resources in regard to compensation.

Staff continues to monitor proposed federal legislation regarding the current economic crisis.

The Mayor's Office continues to review the budget and hearings are expected before the Board of Supervisors on May 21st and 28th.

In regard to the proposed transfer of Airport Police, staff remains in discussion with CalPERS. Individual counseling with approximately 65 affected individuals should be completed by July, 2009. The affected members will have a one time option to transfer to SFERS.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was not distributed; however the Governance Committee will meet on May 19th at 8:30. A Personnel Committee meeting will be calendared following negotiation of the contract with the Executive Search Firm.

A written quarterly report on the DROP program was distributed to the Board.

Commissioner Elsbernd noted that the Board of Supervisors had completed its first reading of the reclassification of the position of Executive Director.

Commissioner Meiberger requested an update on reporting of the Stable Value Fund on the Deferred Compensation web site. Commissioner Driscoll noted that the Deferred Compensation Manager report was calendared separately on the agenda.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

7. **Approval of Revised Investment Guidelines for High Yield CMBS Managers**
a. Hyperion Brookfield
b. Pyramis Advisors

David Kushner, Deputy Director, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The board engaged in a question and answer session.

Moved by Commissioner Meiberger, seconded by Commissioner Wright to Approve Revised Investment Guidelines for High Yield CMBS Managers a) Hyperion Brookfield and b) Pyramis Advisors
Action: Approved by the following vote:
Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

8. **Approval of Revised Investment Guidelines for Mondrian Investment Partners, Emerging Markets Equity Manager**

David Kushner, Deputy Director, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The board engaged in a question and answer session.

Moved by Commissioner Meiberger, seconded by Commissioner Peterson to Approve Revised Investment Guidelines for Mondrian Investment Partners.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

9. **Approval of Revised Investment Guidelines for Segregated Cash Management Portfolio**

David Kushner, Deputy Director, and Dick Piket, Senior investment Officer, and Leslie Kautz, Angeles Investment Advisors, DP presented an oral and written report on this item.

The board engaged in a question and answer session.

Commissioner Meiberger noted that this is a cash account and expressed concern regarding the stated maturity of some of the items in the account. Mr. Kushner noted that staff is attempting to minimize any loss on the portfolio.

Moved by Commissioner Wright, seconded by Commissioner Casciato to Approve Revised Investment Guidelines for Segregated Cash Management Portfolio.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

10. **Approval of Procedure for RREEF's Sumitomo Note Repurchase Program**

David Kushner, Deputy Director, Donald Holcher, Senior Investment Officer, and Nakeyshia Kendall, The Townsend Group, presented an oral and written report on this item.

On June 28, 1993, the Retirement Board approved RREEF's recommendation to leverage its separate account with recourse debt in a financing program with Sumitomo Bank, known as the Sumitomo Note Repurchase Program. This program will be used to refinance assets in SFERS' real estate portfolio to facilitate refinancing options, avoid loan payoffs from plan assets, and improve transparent disclosure.

The board engaged in a question and answer session.

Mr. Kushner noted that other managers will be reviewed as part of the Semi-Annual Real Estate Report that has been calendared for the May Board meeting.

Moved by Commissioner Casciato, seconded by Commissioner Meiberger to Approve Revised Procedures for RREEF's Sumitomo Note Repurchase Program.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

11. **Approval to Commit up to \$15 Million to Trinity Ventures X, L.P.**

David Kushner, Deputy Director, and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

Commissioner Kim requested to be recused because his firm has invested with Trinity Ventures.

Moved by Commissioner Meiberger, seconded by Commissioner Peterson to recuse Commissioner Kim.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Commissioner Kim left the meeting at 9: 50 AM

The board engaged in a question and answer session.

Moved by Commissioner Casciato, seconded by Commissioner Wright to Commit up to \$15 Million to Trinity Ventures X, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson

Noes: Wright

Recused: Kim

Break: 10:13 – 10:23 AM

12. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

The DDI reported:

- As of March 31, 2009, the fund was valued at approximately \$11.4 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended March 31, 2009, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI noted the Fund is not in compliance with allowed ranges in the International Equity, Fixed Income and Real Estate asset classifications. The DDI informed the Board that Staff has started to move assets to bring the Fund back into compliance as market situations allow, modestly reducing Fixed Income and increasing International Equity.
- The DDI reported to the Board that one proxy was voted during the month (Hong Kong Electric Holdings acquisition of Outram, LTD. - voted FOR)
- The DDI informed the Board that 18 responses were received for the Currency Management RFP and are currently being evaluated by Staff and Consultant
- The DDI informed the Board that Staff continued discussions with Northern Trust regarding creation of a segregated account for Securities Lending activities.
- The DDI informed the Board that Staff continues to follow developments related to securities lending activities and is aware of several lawsuits recently filed on behalf of both public funds and ERISA plans against several lending agents.
- The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

The Board engaged in a question and answer session.

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

13. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Ms. Cypert noted that the Deferred Compensation had been modified based on Commissioner Meiberger's request at the February Board meeting. Performance data is reported as of January 29, 2009. Ms. Cypert noted that participants are provided a quarterly statement.

The Board engaged in a question and answer session.

This was a discussion item only.

RETIREMENT BOARD MEMBER'S REPORT

14. Board Member's Report

Commissioner Casciato reported on his attendance at Institutional Investor, March 16, 2009, San Francisco, CA.

The Board engaged in a question and answer session.

This was a discussion item only.

15. FYI – Barron's & The Wall Street Journal Articles

This was an information only item.

16. Adjournment

There being no further business, the Board adjourned its meeting at 10:30 AM in memory of the grandson of Dianne Owens-Lewis and Oakland Police Officers Sgt. Mark Dunakin; Sgt. Ervin Romans; Sgt. Daniel Sakai; and Officer John Hege.

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, MAY 12, 2009
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	Absent
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Minutes of the April 14, 2009, Board Meeting

Moved by Commissioner Casciato, seconded by Commissioner Meiberger to Approve the Minutes of the April 14, 2009 Board Meeting

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Wright

Absent: Peterson

2. Initial Reading of Recovery of Workers' Compensation Benefits Policy

Clare M. Murphy, Executive Director, Caryn Bortnick, Deputy City Attorney, and Jay Huish, Deputy Director, provided a written and oral presentation to the Board on this item.

San Francisco Charter and Administrative Code provisions require the Retirement System to recover workers' compensation benefits paid by the City because of injuries or illnesses resulting in a safety member's death or retirement. The purpose of the Charter and Administrative Code requirements is to prevent "double recovery" by a City employee or survivor for a duty-incurred disability through receipt of both a disability retirement allowance under the Charter and workers' compensation benefits.

Retirement staff, in consultation with the Office of the City Attorney, has drafted a proposed Retirement Board Policy to document the practice and procedure related to recovery of these workers' compensation benefit payments and to establish an administrative review procedure.

In response to a question from Commissioner Driscoll, Mr. Huish noted that individuals are notified of the requirement to recover by the Worker's Compensation Division and as part of member counseling by SFERS.

Mike Hebel, applicant's attorney, addressed the Board regarding the proposed policy. He agreed with Mr. Huish that members are notified by Worker's Comp or SFERS of the right to recovery. Mr. Hebel argued for more flexibility in the granting of extensions for repayment in hardship cases beyond the recommended 36 months in the policy. Mr. Hebel further recommended that cases be referred back to the original hearing officer or for the allowance of oral arguments before the hearing officer. Mr. Hebel requested additional information regarding the selection process for the hearing officers to be utilized in these cases.

Mr. Huish noted that the policy prohibits a recovery of more than 25 percent of a pension award, and that this could result in the extension of the recovery period beyond the recommended 36 months.

Ms. Bortnick noted that the policy constitutes the exhaustion of administrative remedies; however individuals would retain the right to appeal in Superior Court.

This item will be voted on at the June 9, 2009 Retirement Board meeting.

This was a discussion only item.

3. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

3a. Voluntary Retirement Board List No. 11-09

3b. Decision of Hearing Officers

Louis Clark Effective Date: 2/9/08	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Mary H. Doyle Effective Date: 1/31/06	2320 Registered Nurse DPH	Ordinary Disability Retirement Denied
Gary J. Falls Effective Date: 7/1/08	H-20 Lieutenant (Fire Dept.) Fire	Industrial Disability Retirement/ Stip Granted
Denise P. Hale Effective Date: 2/1/08	1426L Sr. Clerk Typist SFUSD	Ordinary Disability Retirement Granted
Michael P. Horan Effective Date: 9/23/06	H-30 Captain Fire	Industrial Disability Retirement/ Stip Granted
Akano V. Nzerem Effective Date: 7/1/08	1404 Clerk SFGH	Ordinary Disability Retirement Granted
Napoleon Reese Effective Date: 1/1/07	9163 Transit Operator Muni	Ordinary Disability Retirement Granted
Elvira Mary Vigo Effective Date:	0380 Inspector (Police Dept.) Police	DRD Allowance Denied
Charles R. Williams Effective Date: 1/12/08	9163 Transit Operator Muni	Ordinary Disability Retirement/Stip Granted

3c. Request Approval for Travel for Commissioner Meiberger, and other Board members to attend the Pacific Pension Roundtable to be held in Monterey, CA on July 8-10, 2009.

Moved by Commissioner Casciato, seconded by Commissioner Meiberger to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Wright

Absent: Peterson

4. **Executive Director's Report**

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Unified School District remains current in reporting of payroll, and the pretesting of data for valuation has begun.

The Black-Out Period List was distributed to the Board, three RFPs remain outstanding: Custodial Services, Currency, and Board Governance Consultant.

There has been no new litigation. The City has agreed to a settlement for judgment in full in the Kashevaroff matter.

The City's budget process is on-going, and the City remains in negotiation with labor organizations. Current proposals under negotiation could result in additional complexity to member counseling provided by SFERS. The Mayor's Office continues to review the General Fund budget and hearings for SFERS and other enterprise departments are scheduled before the Board of Supervisors on May 21st and 28th.

In regard to the Executive Director Search Process, special Board meetings have been scheduled for May 19th and 29th.

Staff continues to monitor federal legislation and proposed Charter amendments, which include significant revisions to the City's budget process.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed. The Personnel Committee will meet on May 18th at 3:00 PM, a Special Board meeting will occur on May 19th at 8:00 AM, followed by a Governance Committee meeting on May 19th at 10:00 AM. A second special Board meeting will be held at 8:30 AM on May 29th.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

5. **Semi-Annual Performance Review of Real Estate for Period Ending December 31, 2008**

David Kushner, Deputy Director, Don Holcher, Senior Investment Officer, Nakeyshia Kendall and Micolyn Yalonis, the Townsend Group, presented an oral and written report on this item.

The board engaged in a question and answer session.

This was a discussion only item.

6. Review and Approval of Real Estate Strategic Investment Plan

David Kushner, Deputy Director, Don Holcher, Senior Investment Officer, Nakeyshia Kendall and Micolyn Yalonis, the Townsend Group, presented an oral and written report on this item. The board engaged in a question and answer session.

Moved by Commissioner Casciato, seconded by Commissioner Elsbernd to Approve the Real Estate Strategic Investment Plan

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Wright

Absent: Peterson

7. Approval of Fiscal Year 2009-2010 Annual Investment Plan for Real Estate

David Kushner, Deputy Director, Don Holcher, Senior Investment Officer, Nakeyshia Kendall and Micolyn Yalonis, the Townsend Group, presented an oral and written report on this item.

The board engaged in a question and answer session.

Moved by Commissioner Elsbernd, seconded by Commissioner Casciato to Approve the Fiscal Year 2009-10 Annual Investment Plan for Real Estate.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Wright

Absent: Peterson

Commissioner Elsbernd left the meeting at 10:00 AM

Break: 10:00 – 10:10 AM

8. Approval of Semifinalists for Currency Management

David Kushner, Deputy Director, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Ms. Kautz noted that five firms were being recommended for interview with a final selection to be presented at the June Board meeting.

The board engaged in a question and answer session.

Moved by Commissioner Casciato, seconded by Commissioner Kim to Approve Five Firms as Semifinalists for Currency Management.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Wright

Absent: Elsbernd, Peterson

9. Approval to Invest up to \$10 Million to Draper Fisher Jurvetson X, L.P.

David Kushner, Deputy Director, Glen Schwartz, Senior Investment Officer, Brian Murphy and Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item.

Commissioner Kim requested to be recused on items 9 and 10 to avoid the appearance of conflict as his firm has previously co-invested with the firms.

Moved by Commissioner Meiberger, seconded by Commissioner Wright to Recuse Commissioner Kim on items 9 and 10.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Wright

Absent: Elsbernd, Peterson

Commissioner Kim left the meeting at 10:45

The board engaged in a question and answer session.

Moved by Commissioner Meiberger, seconded by Commissioner Wright to Commit up to \$10 Million in Draper Fisher Jurvetson X, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Meiberger, Wright

Absent: Elsbernd, Peterson

Recused: Kim

10. Approval to Commit up to \$10 Million to DCM VI, L.P.

David Kushner, Deputy Director, Glen Schwartz, Senior Investment Officer, Brian Murphy and Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item.

Commissioner Kim was recused from participation by a previous motion.

The board engaged in a question and answer session.

Moved by Commissioner Meiberger, seconded by Commissioner Casciato to Commit up to \$10 Million to DCM VI, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Meiberger, Wright

Absent: Elsbernd, Peterson

Recused: Kim

11. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

The DDI reported:

- As of April 30, 2009, the fund was valued at approximately \$11.7 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended April 30, 2009, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI informed the Board that Staff's recent movement of funds from Fixed Income to International Equity has resulted in these asset classes being only modestly (<2%) out of compliance with approved ranges
- The DDI informed the Board that Staff granted Capital Guardian a temporary waiver of the 5% cash limitation, allowing 6.4% cash in the portfolio

- The DDI informed the Board of the following corporate actions related to existing managers:

Hyperion (High Yield CMBS Manager) – Clifford Lai has announced he will be leaving the firm in the near future

TCW (Fixed Income Opportunistic Manager) – Roland Ho, one of three “key individuals” named in the contract, has left to form a new firm
- The DDI reported to the Board that three proxies were voted during the month

Fifth Third Bancorp - Approval to Issue New Series Preferred Without Shareholder Approval (**voted AGAINST**)

Bank of America Corporation – **Withhold** votes on Director Nominees associated with Merrill Lynch Acquisition

Berkshire Hathaway, Inc. – Approval of Shareholder Proposal requesting sustainability report (**voted FOR**)
- The DDI informed the Board that Staff continued discussions with Northern Trust regarding creation of a segregated account for Securities Lending activities.
- The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

Commissioner Kim requested a discussion of placement agents and third-party marketers at a future Board meeting. Ms. Murphy noted that this item is scheduled for the May 19th Board meeting.

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

12. Deferred Compensation Manager Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

Ms. Murphy reported that ING has issued closing statements and Great-West is scheduled to move into their new office space within the next week.

The Board engaged in a question and answer session.

This was a discussion item only.

RETIREMENT BOARD MEMBER'S REPORT

13. Board Member's Report

Commissioner Casciato reported on his attendance at the Stars & Stripes Conference, April 26-28, 2009, Miami, FL

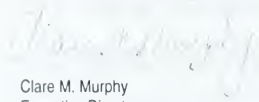
The Board engaged in a question and answer session.

This was a discussion item only.

14. **Adjournment**

There being no further business, the Board adjourned its meeting at 11:15 AM in memory of Richard H. Peterson, father of Commissioner Peterson.

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, MAY 19, 2009
8:00 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiburger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:10
Commissioner Joseph D. Driscoll	8:40
Commissioner Sean Elsbernd	8:00
Commissioner Michael Kim	8:00
Commissioner Herb Meiberger	8:00
Commissioner Richard H. Peterson, Jr.	8:00
Commissioner Brenda Wright	8:00

Public Comment

Commissioner Wright reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Personnel Committee Report

Commissioner Kim presented an oral report on this item.

Commission Kim reported that the Personnel committee had met on May 18th with Mary Hobson, EFL Associates. The Committee discussed the timeline and process for conducting the executive director recruitment. Ms. Hobson estimate the search process would last approximately six to eight weeks, with the target of having a candidate in place by November 1, 2009; the proposed SFERS FY 09-10 budget allows for up to a four month transition period. The Committee and Ms. Hobson discussed various options for scheduling future meetings to support the recruitment process.

The Committee discussed conducting interviews with candidates in late July or early August, 2009 (July 28 – August 7). The Committee scheduled a meeting for July 21st to review the EFL recommended applications, and targeted August 11th for the initial candidate interviews. The full Board could interview the final candidate(s) at a special Board meeting on September 11, 2009, with a final selection to be made at a special Board meeting on September 15, 2009. The Committee intends to recommend no more than three candidates to the Board.

Ms. Hobson agreed to provide written updates to the Committee weekly during the recruitment period, including application flow data.

Commissioner Kim noted that the full Board would meet on May 29th to finalize the position announcement.

Commissioner Meiberger inquired regarding a possible overlap between the start of a new candidate and the departure of Ms. Murphy. Ms. Murphy noted that the budget allows for up to a four month transition period. Commissioner Peterson noted the importance of the transition period.

Moved by Commissioner Elsbernd, Seconded by Commissioner Peterson to Accept the Personnel Committee Report and Proposed Timeline.

Action: Approved by the following vote:

Ayes: Casciato, Elsbernd, Kim, Meiberger, Peterson, Wright

Absent: Driscoll

2. Update on Executive Director Search Process

Mary Hobson, EFL Associates, presented an oral report on this item.

Ms. Hobson sought guidance from the Board on the type of advertising campaign the Board would like to utilize regarding the search process. Ms. Murphy noted that the budget would allow for paid advertisements as well as notices to the media and professional associations.

The Board engaged in a question and answer session.

This was a discussion only item.

3. Discussion of Risk Budgeting – Public Equities

David Kushner, Deputy Director, Bob Shaw, Senior Investment Officer, Leslie Kautz, Angeles Investment Advisors (via telephone), and Valter Viola, Highland Park, Risk Management Consultant, presented an oral and written report on this item.

Mr. Viola presented an educational session on risk budgeting and the active management program for public equities.

The Board engaged in a question and answer session.

This was a discussion only item.

4. Discussion of Role of Placement Agents and Third-Party Marketers

Clare Murphy, Executive Director, and David Kushner, Deputy Director, presented an oral report on this item.

Ms. Murphy reviewed current issues regarding the use of Placement Agents and Third-Party Marketers. Ms. Murphy noted that SFERS utilizes a due diligence process that includes staff and independent consultants. Ms. Murphy further noted that staff is currently reviewing policies recently adopted by other systems, and staff would be presenting recommendations at a future meeting.

The Board engaged in a question and answer session.

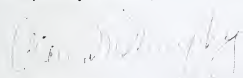
Commissioner Wright left the meeting at 9:15 AM.

This was a discussion only item.

5. Adjournment

There being no further business, the Board adjourned its meeting at 9:30 AM.

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

SPECIAL MEETING
FRIDAY, MAY 29, 2009
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joseph D. Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Richard H. Peterson, Jr.

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	Absent
Commissioner Herb Meiburger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Driscoll reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Approval of Executive Director Position Announcement

Dianne Owens-Lewis, Human Resources Manager, and Mary Hobson, Executive Vice President of EFL Associates presented a written and oral report on this item; Ms. Hobson participated by conference call.

On May 18-19, 2009 Ms. Hobson conducted oral interviews with members of the Retirement Board and Senior Staff regarding desired characteristics for the position of Executive Director. A summary of the responses received was provided for the Board's information. And a draft of the Position Specifications was presented to the Board for their review and approval. Ms. Hobson solicited additional input from the Board regarding the Education and Experience as well as the Personal Characteristics sections of the draft.

The Board engaged in a question and answer session.

In response to a question from Commissioner Driscoll, Ms. Hobson noted that the Position Specification would be posted on the web and distributed to potential candidates. A summary version will be used in recruitment announcements and advertisements.

Commissioner Driscoll discussed the Investment Portfolio description in the draft, and noted that more detailed information was available on the SFERS website in the annual reports. Commissioner Driscoll suggested only including asset allocation ranges and targets. Commissioner Meiburger noted that the data in the draft was unaudited. The Board agreed to the changes.

Commissioner Driscoll noted that the Executive Director is also involved in working with the Actuary to cost MOU and legislative proposals related to retirement. Ms. Murphy suggested adding additional language on external relations, including ex officio duties. The Board agreed to the changes.

Commissioner Meiburger recommended that the reference to delegation of the duties of the Executive Director as Secretary of the Board be deleted from the draft. Ms. Murphy noted that the position is cited in the Charter and in the Board's Executive Director Terms of Reference. The Board agreed to the change.

Commissioner Driscoll discussed the role of the Executive Director in the determination of benefits. Ms. Murphy noted that this only applies to individual benefit determinations, not the setting of benefits for classes of members.

In response to a question from Commissioner Meiberger, Ms. Murphy noted that the Board and Board appointed Actuarial Services Coordinator were primarily responsible for monitoring the performance of the Consulting Actuary. Ms. Hobson noted that the relationship between the Executive Director and Actuary was also addressed in the Human Resources section.

Commissioner Driscoll recommended expanding the section relating to providing support to the Board, including providing effective support and coordination of data to support the Board's actuarial assumptions. The Board agreed to the changes.

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Approve the Position Specification as Amended.

Action: Approved by the following vote:

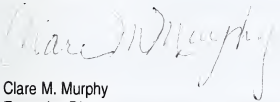
Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Absent: Kim

2. Adjournment

There being no further business, the Board adjourned at 9:10 AM.

Respectfully submitted,



Clare M. Murphy
Executive Director





MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, JUNE 9, 2009
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Richard H. Peterson, Jr. President

Commissioner Al Casciato Vice President

Commissioner Joseph D. Driscoll

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meibarger

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	Absent
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	Absent

SPECIAL ORDER OF BUSINESS

Election of Retirement Board Officers (President and Vice-President)

Moved by Commissioner Casciato, seconded by Commissioner Kim to Elect Commissioner Peterson as Board President for 2009-2010.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

Moved by Commissioner Driscoll, seconded by Commissioner Kim to Elect Commissioner Casciato as Board Vice-President for 2009-2010.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

Public Comment

Commissioner Peterson reviewed the procedures for Public Comment. There were no comments from the public.

REGULAR CALENDAR

1. Minutes of the May 12, 2009, Board Meeting

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll to Approve the Minutes of the May 12, 2009 Board Meeting

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

2. Minutes of the May 19, 2009, Board Meeting

Moved by Commissioner Driscoll, seconded by Commissioner Casciato to Approve the Minutes of the May 19, 2009 Board Meeting

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

3. Minutes of the May 29, 2009, Board Meeting

Moved by Commissioner Casciato, seconded by Commissioner Meiberger to Approve the Minutes of the May 29, 2009 Board Meeting

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

4. Governance Committee Report of May 19, 2009

Clare Murphy, Executive Director, presented an oral and written report on this item.

At their meeting of May 19, 2009 the Governance Committee:

- Approved the minutes of the December 16, 2008 Governance Committee Meeting;
- Recommended Cortex Applied Research as Finalist for Board Governance Consultant, this item appears separately on the agenda for action by the full Board;
- Reviewed and recommended the revised Code of Conduct to the full Board for approval, this item appears separately on the agenda for action by the full Board; and,
- Reviewed and recommended the revised Executive Director Evaluation Policy to the full Board for approval, this item appears separately on the agenda for action by the full Board.

The Board engaged in a question and answer session.

This was a discussion only item.

5. Approval of Revised Executive Director Evaluation Policy

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Governance Committee reviews the Executive Director Performance Evaluation Policy at least every three years. In 2009 the Retirement Board recommended the establishment of a 360 Degree Feedback Program for the Executive Director. The revised policy reflects the addition of the 360 Degree Feedback Program.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, seconded by Commissioner Driscoll to Approve the Revised Executive Director Evaluation Policy.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

6. Approval of Revised Code of Conduct

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Governance Committee reviews the Code of Conduct Policy at least every three years; the current policy was last revised in 2003. As part of the review, Cortex reviewed the current policy to identify possible improvement opportunities, sought input from members of the

Governance Committee, and conducted basic research into Codes of Conduct of other public retirement systems.

The Committee found that the scope of the Code of Conduct continues to be appropriate, although a number of provisions in the Code of Conduct are re-statements of provisions found in the Board's other governance policies.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, seconded by Commissioner Meiberger to Approve the Revised Code of Conduct.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

7. Approval of Finalist for Board Governance Consultant

Clare Murphy, Executive Director, presented an oral and written report on this item.

On March 23, 2009 the San Francisco Employees' Retirement System (SFERS) issued a Request for Proposals (RFP) for a Board Governance Consultant. As provided in the RFP, the Consultant shall assist SFERS and the Retirement Board in maintaining its comprehensive governance structure including documentation of roles and responsibilities, decision-making channels, as well as policies and procedures, to provide the knowledge and information necessary to fulfill their mandates and maintain effective oversight.

Each written proposal was evaluated by a selection committee comprised of SFERS staff with expertise in fiduciary governance. The reviewers were Clare Murphy, Executive Director; Jay Huish, Deputy Director; and, Norm Nickens, Executive Assistant. Proposals were evaluated relative to each other generally in accordance with the criteria and maximum points for each subcategory itemized in the RFP.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, seconded by Commissioner Driscoll to Approve Cortex Applied Research as Board Governance Consultant.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

8. Request to Declare a Vacancy on the Retirement Board Effective 02/20/10

Clare Murphy, Executive Director, presented an oral and written report on this item. On February 20, 2010 Commissioner Casciato will complete his five-year term of office. Pursuant to the provisions of Administrative Code Section 16.550 the Retirement Board is required to declare that a vacancy will occur and establish a schedule for the election for a new Retirement Board member.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, seconded by Commissioner Meiberger to Declare a Vacancy on the Retirement Board Effective 2/20/10.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

9. Final Review and Approval of Recovery of Worker's Compensation Benefits Policy

Jay Huish, Deputy Director, presented an oral and written report on this item.

San Francisco Charter and Administrative Code provisions require the Retirement System to recover workers' compensation benefits paid by the City because of injuries or illnesses resulting in a safety member's death or retirement. The purpose of the Charter and Administrative Code requirements is to prevent "double recovery" by a City employee or survivor for a duty-incurred disability through receipt of both a disability retirement allowance under the Charter and workers' compensation benefits.

Retirement staff, in consultation with the Office of the City Attorney, has drafted the proposed Retirement Board policy to document the practice and procedure related to recovery of these workers' compensation benefit payments and to establish an administrative review procedure. The final draft includes language clarifying the point in the recovery process when a member's administrative remedies have been exhausted.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, seconded by Commissioner Driscoll to Approve the Recovery of Workers' Compensation Benefits Policy.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

10. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

10a. Voluntary Retirement Board List No. 12-08

10b. Decision of Hearing Officers

Douglas Blunt Effective Date: 1/11/09	2302 Nursing Assistant DPH	Ordinary Disability Retirement Granted
Thomas R. Gorman Effective Date: 8/11/07	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Granted
Coronette Guillory Effective Date: 7/1/08	1424 Clerk Typist Muni	Ordinary Disability Retirement Granted

Daniel A. Harrington Effective Date: 11/1/08	1929 Parts Storekeeper Muni	Ordinary Disability Retirement Granted
Timothy Harris Effective Date: 11/16/07	3417 Gardener Rec. & Park	Ordinary Disability Retirement Granted
Edel M. Milano Effective Date: 7/1/08	2320 Registered Nurse DPH	Ordinary Disability Retirement/ Stip Granted
Marlene C. Ottone Effective Date: 11/1/08	Q-62 Lieutenant Police	Industrial Disability Retirement/ Stip Granted
Patncia L. Peters Effective Date: 9/15/08	2718 Custodial Supervisor Airport	Ordinary Disability Retirement/ Stip Granted
David Sparks Effective Date : 10/1/08	9163 Transit Operator Muni	Ordinary Disability Retirement Granted
Yolanda L. Tyson Effective Date: 1/13/04	1426 Sr. Clerk Typist SFCCD	Ordinary Disability Retirement/ Stip Denied

- 10c. **Dismissal of Disability Retirement Application**
Andrew Assereto – Industrial Disability Retirement
Maria Delos Reyes – Ordinary Disability Retirement
Judith Goldberg – Ordinary Disability Retirement

- 10d. **Request Approval for Michael Kim, Commissioner, to attend the Plan Sponsor & Minority Manager Consortium, to be held on June 17-18, 2009, in Beverly Hills, CA.**

Moved by Commissioner Meiberger, seconded by Commissioner Casciato to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

11. **Executive Director's Report**

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Unified School District remains current in reporting of payroll.

The Black-Out Period List was distributed to the Board, three RFPs remain outstanding: Custodial Services, Currency, and Board Governance Consultant.

There has been no new litigation.

Staff continues to monitor federal legislation and proposed Charter amendments. A copy of a State initiative proposal to tax pension distributions and health care benefits was distributed to the Board. Ms. Murphy summarized the provisions of A.B. 1584, a recently introduced State bill which would address the use of placement agents and place additional restrictions regarding future employment of both Trustees and pension plan staff.

The City's budget process is on-going, although the Retirement System has completed its hearing process before the Board of Supervisors. The System continues to monitor the City's renegotiation of labor MOUs.

In order to accommodate additional staff included in the 09-10 budget, SFERS will be renting additional space on the third floor at 30 Van Ness Avenue.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed. The Personnel Committee will meet on June 16th at 8:30 AM.

A copy of the position announcement for the position of Executive Director was distributed; the announcement is also available on the SFERS and DHR websites, as well as a number of professional associations and pensions related media. EFL Associates is coordinating the recruitment process.

A memo from the SFERS Communications Manager requesting updated biographical information for the web site was distributed to the Board.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

12. Report on the Performance of the Retirement Fund for the Quarter Ending March 31, 2009

David Kushner, Deputy Director for Investments, and Anna McGibbons, Angeles Investment Advisors, presented an oral and written report on this item.

Ms. McGibbons reported that for the quarter ended 3/31/09, the Retirement Fund was valued at \$11.3 billion, providing a total return of -6.34% for the quarter, and -27.3% for the trailing 12 months.

The Board engaged in a question and answer session.

This was a discussion only item.

13. Report on Brokerage Commissions Generated by the Retirement Fund during the Quarter Ending March 31, 2009

David Kushner, Deputy Director for Investments, and Anna McGibbons, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

14. Report on the Performance of Alternative Investment Program for Period Ended December 31, 2008

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

For the twelve months ended 12/31/08, the Alternative Investment portfolio provided a total return of -24.67% versus the S&P 500 (plus 500 basis points) benchmark of -31.45%. For the five year period ended 12/31/08, the Alternative investment portfolio provided an 18.34% total return versus the S&P 500 (plus 500 basis points) benchmark of 3.58%.

The Board engaged in a question and answer session.

This was a discussion only item.

15. Approval to Invest up to \$10 Million in Domain Partners VIII, L.P.

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The board engaged in a question and answer session.

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll to Commit up to \$10 Million to Domain Partners VIII, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger, Peterson

Absent: Elsbernd, Wright

16. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

The DDI reported:

As of May 31, 2009, the fund was valued at approximately \$12.1 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended May 31, 2009, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.

The DDI informed the Board that Staff's recent movement of funds from Fixed Income to International Equity has resulted in these asset classes being only modestly out of compliance with approved ranges.

The DDI informed the Board that Staff granted Capital Guardian a temporary waiver of the 5% cash limitation, with the portfolio currently holding 5.1% cash.

The DDI reported to the Board that one proxy was voted during the month

Target Corporation – voted FOR current directors

The DDI informed the Board that Staff continued discussions with Northern Trust regarding creation of a segregated account for Securities Lending activities.

The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

The Board engaged in a question and answer session.

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

17. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Ms. Cypert reported that Great West has completed their local office move to one Front Street, Suite 810.

Ms. Cypert reported on recent staff changes with Great West's local office.

The Board engaged in a question and answer session.

This was a discussion item only.

RETIREMENT BOARD MEMBER'S REPORT

18. Board Member's Report

Commissioner Meiberger reported on his attendance at SACRS, May 12-15, 2009, San Francisco.

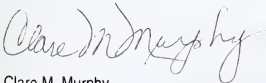
The Board engaged in a question and answer session.

This was a discussion item only.

19. Adjournment

There being no further business, the Board adjourned its meeting at 10:45 AM.

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, JULY 14, 2009
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Richard H. Peterson, Jr. President

Commissioner Al Casciato Vice President

Commissioner Joseph Driscoll

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiburger

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:55
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Peterson reviewed the procedures for public comment. There were no comments from the public.

REGULAR CALENDAR

1. Minutes of the June 9, 2009, Board Meeting

Moved by Commissioner Elsbernd, seconded by Commissioner Casciato to Approve the Minutes of the June 9, 2009 Board Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Absent: Kim

2. Approval of Presidential Appointments to Retirement Board Committees

Commissioner Peterson, President of the Board, presented an oral and written report on this item.

Commissioner Peterson recommended the following committee appointment for 2009-2010:

<u>Committee</u>	<u>Chair</u>	<u>Members</u>
Investment	Driscoll	Committee of the Whole (All)
Finance	Meiberger	Elsbernd, Peterson
Governance	Elsbernd	Casciato, Peterson
Personnel	Kim	Driscoll, Wright

Note: Due to the Lexin matter, the Deferred Compensation Committee shall only meet as required with those members who have been selected under the Rule of Necessity to maintain a quorum.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, seconded by Commissioner Elsbernd to Approve the Presidential Appointments to Retirement Board Committees.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Wright

Absent: Kim

3. Personnel Committee Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

At their meeting of June 16, 2009 the Personnel Committee approved the minutes of the May 18th meeting and met in Closed Session to review the performance of the Executive Director.

Commissioner Meiberger requested an update on the position of the Actuarial Services Coordinator. Ms. Murphy responded that a report would be presented at a future meeting.

The Board engaged in a question and answer session.

This was a discussion only item.

4. Initial Review of Credited Interest Policy

Clare Murphy, Executive Director, and Gene Kalwarski, Consulting Actuary (Cheiron), presented an oral and written report on this item.

The Retirement Board is required to set interest crediting and charging rates in accordance with Administrative Code Section 16.37-4. Cheiron reviewed the Retirement Board's practice and that of other public pension boards in determining participant interest rates. Alternative rate setting methods were described and analyzed, and a method was recommended.

Cheiron recommended that the Board adopt an indexed rate using 5-year CDs, effective July 1, 2010; cap the rate at the assumed rate of return; use an average of the 12 month-end rates in the prior calendar year, rounded to the nearest 0.25%; and, calculate the rate annually, but only change if the rate moves 0.50% or more.

The Board engaged in a question and answer session.

Staff will prepare a formal Interest Crediting Rate Policy for final adoption by the Retirement Board at a future meeting. This Policy when finally adopted will apply effective July 1, 2010.

Commissioner Kim arrived at 8:55 AM.

Moved by Commissioner Kim, seconded by Commissioner Wright to Approve the Recommended Rate Setting Method and to Direct Staff to Prepare a Formal Interest Crediting Rate Policy for Review by the Retirement Board at the August 11, 2009 Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

5. First Reading of Workers' Compensation Adjustment of Industrial Disability Retirement Allowance Policy

Jay Huish, Deputy Director, presented an oral and written report on this item.

The San Francisco Charter and Administrative Code provisions governing SFERS safety plans provide that, based on a determination of the California Workers' Compensation Appeals Board, the Retirement System must adjust the amount of industrial disability retirement benefits payable to safety members who have not yet obtained Qualified for Service Retirement (QSR) status – at least age 50 with 25 or more years of credited service.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll to Continue the Item to the August Board Meeting for Final Reading and Adoption.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

6. Semi Annual Review of the Disability Application Process

Norm Nickens, Executive Assistant, presented and oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Driscoll inquired regarding efforts to reduce the number of cases currently pending the scheduling or a hearing. - Caryn Bortnick, Deputy City Attorney, noted that there have been recent challenges in getting applicant's attorneys to schedule hearings in a timely manner.

This was a discussion only item.

7. Amendment to Board Resolution No. 44(B) - Delegation of Authority for Cash Transfers and Payments

Clare Murphy, Executive Director, presented and oral and written report on this item.

Ms. Murphy noted that the changes would reflect current staffing in the Investment division.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, seconded by Commissioner Elsbernd to Amend Board Resolution No. 44(B) - Delegation of Authority for Cash Transfers and Payments.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

8. Approval of Resolution Honoring Dan Mattrocce, former SFERS General Manager

Clare Murphy, Executive Director, presented and oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll to Approval of Resolution Honoring Dan Mattrocce, former SFERS General Manager.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

9. **CONSENT CALENDAR**

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

9a. **Voluntary Retirement Board List No. 01-09**

9b. **Decision of Hearing Officers**

John T. Carlin Effective Date: 7/14/07	Q-62 Lieutenant III Police	Industrial Disability Retirement/Stip Granted
David A. Carroll Effective Date: 1/28/06	H-20 Lieutenant (Fire Dept.) Fire	Industrial Disability Retirement/Stip Granted
Debbie Cooke Effective Date: 9/11/07	Q-4. Police Officer III Police	Death As A Result of Duty Granted
Stephen P. Corona Effective Date: 2/1/08	3320 Animal Keeper Rec. & Park	Ordinary Disability Retirement Granted
Shirley M. Gagliardo Effective Date: 12/19/08	Q-4 Police Officer III Police	Industrial Disability Retirement Granted
Dennis J. Kennedy Effective Date: 7/6/07	H-110 Marine Engineer of Fire Boats – Fire	Industrial Disability Retirement/Stip Denied
David W. Letsch Effective Date: 6/22/07	0382 Inspector III Police	Industrial Disability Retirement/Stip Granted
Paul E. McGloin Effective Date: 12/1/07	3417 Gardener Rec. & Park	Ordinary Disability Retirement/Stip Granted
Francisco Mendez, Jr. Effective Date: 5/3/08	Q-4 Police Officer III Police	Industrial Disability Retirement/Stip Granted
Joseph E. Morrison Effective Date: 6/23/07	H-20 Lieutenant (Fire Dept.) Fire	Industrial Disability Retirement/Stip Granted
Daniel Nenaydikh Effective Date:	8205 Institutional Police Sergeant - War Memorial	PERS Denied
Donald L. Shockley Effective Date: 1/29/09	0382 Police Inspector III Police	Industrial Disability Retirement/Stip Granted
Joanne Wong Effective Date: 11/1/05	8108 Sr. Legal Process Clerk Assessors	Ordinary Disability Retirement Denied

Lawrence Zammarchi
Effective Date: 6/29/07

H-20 Lieutenant (Fire Dept.)
Fire

Industrial Disability Retirement/Stip
Granted

9c. Petition for Rehearing

Joanne Wong
Effective Date: 11/1/05

8108 Sr. Legal Process Clerk
Assessors

Ordinary Disability Retirement
Denied

9d. Dismissal of Disability Retirement Application

Cornelius Jennings, Jr. – Ordinary Disability Retirement
Calvin Dawson – Ordinary Disability Retirement

Moved by Commissioner Elsbernd, seconded by Commissioner Driscoll to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiburger, Peterson, Wright

10. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The San Francisco Unified School District remains current in its payroll reporting.

The Blackout Period List was distributed. Items currently on the list include:

- Request for Proposal for Custodial Services
- RFP for Investment Management Services for Active Currency Overlay
- RFP for Board Governance Consultant
- Approval to Issue RFP for Small/SMID Cap Growth Equity Manager(s) – If approved at the July 14, 2009 Board Meeting

Copies of AB 1584, a proposed legislative change to restrict the use of placement agents, were distributed to the Board.

No new litigation was reported this month, although a Closed Session will be held at the end of the meeting to discuss two items that could result in litigation.

The City and County budget has not yet been adopted by the Board of Supervisors.

The latest quarterly Drop Report was distributed to the Board.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board.

All Board members have submitted their Report on Board Memberships Forms.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

11. Approval to Issue RFP for Small/SMID Cap Growth Equity Manager(s)

David Kushner, Deputy Director for Investments, Robert Shaw, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented and oral and written report on this item.

Caryn Bortnick, Deputy City Attorney, reported that a subsidiary of Wells Fargo Bank is a potential bidder on the RFP and recommended that Commissioner Wright, who is employed by another subsidiary of Wells Fargo Bank, be recused.

Moved by Commissioner Meiberger, seconded by Commissioner Elsbernd to Recuse Commissioner Wright due to Potential Conflict of Interest.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Wright

Absent: Kim

Commissioner Kim returned to the meeting at 9:58 AM.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, seconded by Commissioner Kim to Approve Issuance of a RFP for Small/SMID Cap Growth Equity Manager(s).

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson

Recused: Wright

12. Approval of Revised Investment Guidelines for Oaktree Capital Management (High Yield Corporate Fixed Income)

David Kushner, Deputy Director for Investments, Richard Piket, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented and oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll to Approve Revised Investment Guidelines for Oaktree Capital Management (High Yield Corporate Fixed Income)

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson

Absent: Wright

13. Approval of Finalists for Currency Management

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented and oral and written report on this item.

Staff and Consultant recommended elimination of the hedging component of the currency program, and retention of BGI, Lee Overlay Partners, and FX Concepts as currency managers for the System.

The Board engaged in a question and answer session.

Commissioner Meiberger expressed concern regarding the currency management program and the staffing required to monitor the program.

Moved by Commissioner Casciato, seconded by Commissioner Elsbernd to Approve Elimination of the Hedging Component of the Currency Program, and Retention of BGI, Lee Overlay Partners, and FX Concepts as Currency Managers for the System.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Peterson, Wright

Noes: Meiberger

Absent: Wright

14. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments (DDI), presented and oral and written report on this item.

The DDI reported:

As of June 30, 2009, the fund was valued at approximately \$12.0 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended June 30, 2009, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.

The DDI informed the Board that Staff's recent movement of funds from Fixed Income to International Equity has resulted in these asset classes being only modestly out of compliance with approved ranges.

The DDI informed the Board that Gabriel Bowers, a Principal of Parish Capital, has announced she will be leaving the firm to pursue other opportunities. Additionally, the DDI informed the Board that Russel Bjorkman, Client Service Representative for Intech, passed away.

The DDI informed the Board that Staff continued discussions with Northern Trust regarding creation of a segregated account for Securities Lending activities.

The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

The Board engaged in a question and answer session.

Commissioner Kim requested an update on unfilled positions and cash flow requirements. Mr. Kushner reported that there were no issues regarding cash flow as a result of manager cash calls, however recently implemented benefits changes would have an impact on cash flow.

Over 50 applications have been received for each of the two head of area positions. Applications are currently being screened for interviews. Commissioner Kim offered the assistance of the Personnel Committee.

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

15. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented and oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

Commissioner Casciato left at

RETIREMENT BOARD MEMBER'S REPORT

16. Board Member's Report

Commissioner Kim reported on his attendance at the Plan Sponsor and Minority Conference, June 17-18, 2009, Los Angeles.

Commissioner Meiberger reported on his attendance at the Pacific Pension Institute Summer Roundtable, July 8-10, 2009, Monterey.

The Board engaged in a question and answer session.

This was a discussion only item.

CLOSED SESSION

- 17.** Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10 and §67.12(b)(3), the Retirement Board met in closed session.

CONFERENCE WITH LEGAL COUNSEL – LITIGATION

Government Code §54956.9(b)(1); S.F. Administrative Code §67.11 and §67.12(b)(3)
(Two Cases, SFERS as Plaintiff and Defendant)

Action:

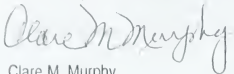
Moved by Commissioner Elsbernd, seconded by Commissioner Peterson to meet in Closed Session
Absent: Casciato, Wright

Moved by Meiberger and Seconded by Elsbernd to Reconvene in Open Session and Report Board had approved a motion for rehearing in the John Probst matter of the application for disability retirement and, if necessary, filing for a writ of mandate.

18. **Adjournment**

Moved by Commissioner Driscoll, seconded by Commissioner Meiberger to adjourn in memory of Gerry Gallagher, retiree, and Andrew Rasmussen's parents and niece.

Respectfully submitted,

A handwritten signature in cursive script, reading "Clare M. Murphy". The signature is written in dark ink and is positioned above the printed name and title.

Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, August 11, 2009
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Richard H. Peterson, Jr. President

Commissioner Al Casciato Vice President

Commissioner Joseph Driscoll

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	Absent
Commissioner Herb Meiberger	Absent
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Peterson reviewed the procedures for public comment. There were no comments from the public

REGULAR CALENDAR

1. Minutes of the July 14, 2009, Board Meeting

Moved by Commissioner Casciato, seconded by Commissioner Elsbernd to Approve the Minutes of the July 14, 2009 Board Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Peterson, Wright

Absent: Kim, Meiberger

2. Personnel Committee Report

Commissioner Driscoll, member of the Personnel Committee, presented an oral and written report on this item.

Commissioner Driscoll reported that the Personnel Committee met in Closed Session on July 21st, 2009.

This was a Discussion Only item.

3. Initial Review of Credited Interest Policy

Jay Huish, Deputy Director, presented an oral and written report on this item.

San Francisco Administrative Code Section 16.37-1 provides that the Retirement Board adopt a credited interest rate for the Plan that is at least four percent (4%) per annum and does not exceed the actuarial assumption for return on Trust assets. At its July 14, 2009 regular meeting, the Retirement Board approved its consulting actuarial firm's (Cheiron) recommendation for a methodology for setting the Plan's credited interest rate for Plan Years beginning July 1, 2010.

Retirement staff, in consultation with Cheiron, has drafted a proposed Retirement Board policy to document the methodology and procedure related to the setting the Plan's credited interest rate in accordance with Cheiron's recommendation as approved by the Retirement Board.

The Board engaged in a question and answer session.

This was an initial review of the proposed policy, the final reading will be calendared for the September 8, 2009 Board meeting.

This was a discussion only item.

4. Final Review and Approval of Workers' Compensation Adjustment of Industrial Disability Retirement Policy

Jay Huish, Deputy Director, presented an oral and written report on this item.

The San Francisco Charter and Administrative Code provisions governing the SFERS safety plans provide that, based on a determination of the California Workers' Compensation Appeals Board, the Retirement System must adjust the amount of industrial disability retirement benefits payable to safety members who have not yet attained QSR (Qualified for Service Retirement) status – at least age 50 with 25 or more years of credited service.

Retirement staff, in consultation with the Office of the City Attorney, has prepared a Retirement Board policy to document the practice and procedure related to the adjustment of these industrial disability retirement benefit payments and to establish an administrative review procedure. The proposed policy was initially considered at the July 14, 2009 Board meeting.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, seconded by Commissioner Wright to Approve the Workers' Compensation Adjustment of Industrial Disability Retirement Policy.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Peterson, Wright

Absent: Kim, Meiberger

5. Adjustment of Retirement Allowance for Robert W. Payne

Action: Approved by the following ballot vote:

Ayes: Casciato, Driscoll, Elsbernd, Peterson, Wright

Absent: Kim, Meiberger

6. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

9a. Voluntary Retirement Board List No. 01-09

9b. Decision of Hearing Officers

John T. Carlin
Effective Date: 7/14/07

Q-62 Lieutenant III
Police

Industrial Disability Retirement/Stip
Granted

David A. Carroll

H-20 Lieutenant (Fire Dept.)

Industrial Disability Retirement/Stip

Effective Date: 1/28/06	Fire	Granted
Debbie Cooke Effective Date: 9/11/07	Q-4 Police Officer III Police	Death As A Result of Duty Granted
Stephen P. Corona Effective Date: 2/1/08	3320 Animal Keeper Rec. & Park	Ordinary Disability Retirement Granted
Shirley M. Gagliardo Effective Date: 12/19/08	Q-4 Police Officer III Police	Industrial Disability Retirement Granted
Dennis J. Kennedy Effective Date: 7/6/07	H-110 Marine Engineer of Fire Boats – Fire	Industrial Disability Retirement/Stip Denied
David W. Letsch Effective Date: 6/22/07	0382 Inspector III Police	Industrial Disability Retirement/Stip Granted
Paul E. McGloin Effective Date: 12/1/07	3417 Gardener Rec. & Park	Ordinary Disability Retirement/Stip Granted
Francisco Mendez, Jr. Effective Date: 5/3/08	Q-4 Police Officer III Police	Industrial Disability Retirement/Stip Granted
Joseph E. Morrison Effective Date: 6/23/07	H-20 Lieutenant (Fire Dept.) Fire	Industrial Disability Retirement/Stip Granted
Daniel Nenaydikh Effective Date:	8205 Institutional Police Sergeant - War Memorial	PERS Denied
Donald L. Shockley Effective Date: 1/29/09	0382 Police Inspector III Police	Industrial Disability Retirement/Stip Granted
Joanne Wong Effective Date: 11/1/05	8108 Sr. Legal Process Clerk Assessors	Ordinary Disability Retirement Denied
Lawrence Zammarchi Effective Date: 6/29/07	H-20 Lieutenant (Fire Dept.) Fire	Industrial Disability Retirement/Stip Granted

9c. Petition for Rehearing

Joanne Wong Effective Date: 11/1/05	8108 Sr. Legal Process Clerk Assessors	Ordinary Disability Retirement Denied
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9d. Dismissal of Disability Retirement Application

Cornelius Jennings, Jr. – Ordinary Disability Retirement
 Calvin Dawson – Ordinary Disability Retirement

Moved by Commissioner Elsbernd, seconded by Commissioner Wright to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Peterson, Wright

Absent: Kim, Meiburger

7. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The San Francisco Unified School District remains current in its payroll reporting.

The Blackout Period List was distributed. Items currently on the list include:

- Request for Proposal (RFP) for Custodial Services
- RFP for Investment Management Services for Active Currency Overlay
- RFP for Small/SMID Cap Growth Equity Manager(s)

No new litigation or legislation was reported this month.

The FY 2009-2010 City and County budget has been signed by the Mayor.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board. The Investment Committee is scheduled to meet on Tuesday, August 18. The Personnel Committee will meet on August 18th and 19th in Closed Session to interview semi-finalist candidates for the position of Executive Director.

Ms. Murphy reported that the Actuarial Services Coordinator will start on August 24, 2009.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

8. Approval of Currency Management Program Operating Overview and Currency Manager Investment Guidelines

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, seconded by Commissioner Driscoll to Approve the Currency Management Program Operating Overview and Currency Manager Investment Guidelines.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Peterson, Wright

Absent: Kim, Meiburger

9. Approval to Commit \$ 30 Million in Oaktree Opportunities Fund VIII, L.P.

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, and Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, seconded by Commissioner Elsbernd to Approve the Commitment of \$30 Million in Oaktree Opportunities Fund VIII, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Peterson, Jr., Wright

Absent: Kim, Meiberger

10. **Approval of Rescission of Authority to Invest up to \$10 Million to Domain Partners VIII, L.P.**
David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, seconded by Commissioner Casciato to Approve Rescission of Authority to Invest up to \$10 Million to Domain Partners VIII, L.P.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Peterson, Jr., Wright

Absent: Kim, Meiberger

11. **Deputy Director for Investments Report**
David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

The DDI reported:

As of July 31, 2009, the fund was valued at approximately \$12.5 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended July 31, 2009, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.

The DDI informed the Board that Fixed Income is modestly out of compliance with approved ranges.

The DDI informed the Board that Staff continued discussions with Northern Trust regarding creation of a segregated account for Securities Lending activities.

The DDI reported two proxies were voted during the month:
Merck & Co. merger with Schering Plough Corporation (voted **FOR**)
Pfizer, Inc. merger with Wyeth (voted **FOR**)

The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

12. **Deferred Compensation Manager Report**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Driscoll requested an update on targeted date or lifestyle funds. Ms. Murphy indicated that a report would be presented at a future meeting.

Commissioner Elsbernd left the meeting at 9:15.

Commissioner Wright inquired regarding the status of the Deferred Compensation Committee which has been suspended pending the resolution on the Lexin decision. Ms. Murphy noted that a Deferred Compensation update could be added to the October Board meeting agenda.

This was an information only item.

RETIREMENT BOARD MEMBER'S REPORT

13. Board Member's Report

There were no reports from the Board.

Jean Thomas, retired member, inquired regarding a program recently initiated by the Society of Actuaries to examine new models for pension reform. Ms. Murphy noted that staff is monitoring this activity.

This was a discussion only item.

14. Adjournment

There being no further business, the meeting adjourned at 9:20 AM.

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, September 8, 2009
8:30 am

MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Richard H. Peterson, Jr. President

Commissioner Al Casciato Vice President

Commissioner Joseph Driscoll

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	Absent

Public Comment

Commissioner Peterson reviewed the procedures for public comment. There were no comments from the public.

REGULAR CALENDAR

1. **Minutes of the August 11, 2009, Board Meeting**

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Approve the Minutes of the August 11, 2009 Board Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Jr.

Absent: Wright

2. **Personnel Committee Report**

Commissioner Kim, Chair of the Personnel Committee presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Kim reported that the Personnel Committee met in Closed Session on August 18 and 19, 2009 related to confidential personnel matters. The Retirement Board will meet in closed session on Friday September 11th and Tuesday September 15th to interview and evaluate the finalists for the position of Executive Director. Commissioner Peterson requested that Commissioner Kim develop a list of questions that the Board may want to consider asking the candidates at the final interviews. Commissioner Kim was directed to consult with Caryn Bortnick, Deputy City Attorney, as appropriate.

This was a discussion only item.

3. **Request to Enclose Combined Charities Campaign Correspondence in the October Retirement Allowances**

Clare Murphy, Executive Director, presented an oral and written report on this item.

This is a regularly recurring request from the Mayor's Office for retirees to participate in the City's annual Combined Charities Campaign.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, seconded by Commissioner Casciato to Approve the Request to Enclose Combined Charities Campaign Correspondence in the October Retirement Allowances
Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Jr.

Absent: Wright

4. Adjustment of Retirement Allowance for Greg Breslin – (Requires ballot vote)

Action: Approved by ballot vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Jr.,

Absent: Wright

5. Review and Approval of Credited Interest Rate Policy

Jay Huish, Deputy Director, and Ray Lane, Actuarial Services Coordinator, presented an oral and written report on this item.

San Francisco Administrative Code Section 16.37-1 provides that the Retirement Board adopt a credited interest rate for the Plan that is at least four percent (4%) per annum and does not exceed the actuarial assumption for return on Trust assets. At its July 14, 2009 regular meeting, the Retirement Board approved its consulting actuarial firm - Cheiron's - recommendation for a methodology for setting the Plan's credited interest rate for Plan Years beginning July 1, 2010.

Retirement staff, in consultation with Cheiron, has prepared a draft Retirement Board policy to document the methodology and procedure related to setting the Plan's credited interest rate in accordance with Cheiron's recommendation as approved by the Retirement Board. This final draft includes additional language in Paragraph 8 to provide for a rate adjustment, regardless of whether there is at least a 0.50% change in the average yield calculation, in years when the Retirement Board lowers the actuarial assumption for return on Trust assets and the adjustment is necessary to comply with the maximum rate under the provisions of Administrative Code Section 16.37-1.

The Board engaged in a question and answer session.

Commissioner Kim inquired regarding rounding to the nearest .25 percent; Ms. Murphy noted that this is the increment that has historically been used by the Board. Commissioner Driscoll recommended adding 50 basis points as clarification.

Moved by Commissioner Elsbernd, seconded by Commissioner Casciato to Approve the Credited Interest Rate Policy as Amended.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Jr.

Absent: Wright

6. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

6a. Voluntary Retirement Board List No. 03-09

6b. Decision of Hearing Officers

Samuel J. Cherry Effective Date: 1/9/08	8204 Institutional Police Officer Sheriff	PERS Granted
Richard R. Cirmele Effective Date: 1/1/08	Q-4 Police Officer Police	Industrial Disability Retirement/ Stip Granted
John A. Cortez Effective Date: 2/21/09	2920 Medical Social Worker DPH	Ordinary Disability Retirement/ Stip Granted
John J. Lee Effective Date: 12/11/06	H-50 Asst. Chief of Dept. (Fire Dept) – Fire	Industrial Disability Retirement/ Stip Denied
Maria L. Lopez Effective Date: 1/1/09	1488 TIA Evaluation Technician SFCCD	Ordinary Disability Retirement Granted
Bruno G. Pezzulich Effective Date: 1/3/09	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Joseph J. Quigley Effective Date: 1/17/09	7335 Sr. Stationary Engineer Airport	Ordinary Disability Retirement Granted
Ralph E. Stewart Effective Date: 4/1/09	0931 Manager III Airport	Ordinary Disability Retirement Granted

6c. Petition for Rehearing

John J. Lee Effective Date: 12/11/06	H-50 Asst. Chief of Dept. (Fire Dept) – Fire	Industrial Disability Retirement/ Stip Denied
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6d. Dismissal of Disability Retirement Application

Steven Hill – Industrial Disability Retirement
Roger D. Keenan – Industrial Disability Retirement
Robin P. Napeek – Ordinary Disability Retirement
Lynne R. Pittman – Ordinary Disability Retirement

6e. Request Approval for Herb Meiberger, Commissioner, to attend the Pacific Pension Institute 2009 Executive Seminar and the 2009 Asian Pension Fund Roundtable to be held on November 1-6, 2009, in Bangkok, Thailand.

Moved by Commissioner Elsbernd, seconded by Commissioner Meiberger to Approve the Consent Calendar Items 6a – 6d.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Jr.

Absent: Wright

Commissioner Elsbernd requested additional information on item 6e. Commissioner Meiberger noted that this was an opportunity to meet with key players in person, and was the equivalent of a due diligence trip. He also noted the quality of the speakers at the event.

Commissioner Elsbernd questioned the appropriateness of an international trip at this point.

Commissioner Driscoll questioned how much could be achieved in a four day trip.

Commissioner Meiberger noted that the costs of the proposed travel were consistent with prior Board approved travel.

Moved by Commissioner Meiberger, seconded by Commissioner Kim to Approve the Consent Calendar Items 6e.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Kim, Meiberger

Noes: Elsbernd, Peterson, Jr.

Absent: Wright

7. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The San Francisco Unified School District remains current in its payroll reporting.

The Blackout Period List was distributed. Items currently on the list include:

RFP for Custodial Services

RFP for Investment Management Services for Active Currency Overlay

RFP for Small/SMID Cap Growth Equity Manager(s)

No new litigation was reported this month.

Ms. Murphy provided an update regarding AB 1584, a proposed legislative change to restrict the use of placement agents. The draft legislation has been voted out of the State Senate and referred back to the Assembly. It is anticipated that the Governor will sign the legislation.

Ms. Murphy provided an update regarding the bond rating for the City and County of San Francisco. SFERS and other City agencies participated in a recent rating process, all of whom maintained the City's rating. The strength of SFERS was noted in the ratings.

Ms. Murphy provided an update regarding the City's response to a recent Grand Jury report on pension and future retiree health costs. A joint response has been developed by SFERS, the Controller's Office, Police, Fire and the Department of Human Resources. The response will be provided to the Grand Jury by September 14, 2009; copies will be provided to the Board and to members of the Board of Supervisors.

Ms. Murphy reported that nomination forms are currently being circulated for the next scheduled Retirement Board election. Forms must be submitted by September 17, 2009.

The Educational Opportunities List was distributed to the Board.

The Forward Calendar was distributed to the Board.

An annual memo from the City Attorney's Office regarding limitations on elections activities was distributed.

Copies of the agenda for the September 11 and 15, 2009 Board meeting were distributed.

Ms. Murphy provided an update on the continuation benefit certification letter that was recently distributed to eligible members.

The Board engaged in a question and answer session.

Jean Thomas, retired member, inquired regarding the number of continuation benefit certification letters that had been returned. Jay Huish, Deputy Director, noted that approximately 20 letters had been returned with bad addresses out of 3,600 that were mailed out.

This was a discussion only item.

INVESTMENT CALENDAR

8. Investment Committee Report

Commissioner Driscoll, Chair of the Investment Committee presented an oral and written report on this item.

At their meeting of August 18, 2009 the Investment Committee received a report from David Kushner, Deputy Director for Investments, regarding the sub-asset class modeling process and assumptions. Mr. Kushner reported that each year, Staff, working with the General Investment Consultant (Angeles Investment Advisors), reviews the sub-asset class structure of the public markets segments of the Fund.

The most significant recommended changes in the sub-asset class structure include:

No changes to Domestic Equity structure;
No changes to International Equity structure;
Addition of Bond Index Fund as an option, with associated reductions in Core Plus and Internal Fixed Portfolios; and,
Review of the purpose of the Internal Fixed Income portfolio and recommend associated changes.

Staff will provide a revised sub-asset class structure, incorporating any comments or suggestions by the Investment Committee, to the Retirement Board. After adoption by the Retirement Board, Staff will update and present a revised Investment Policy Statement to the Retirement Board at the October meeting.

The Board engaged in a question and answer session.

This was a discussion only item.

9. Approval of Recommendation to Amend Sub Asset Class Targets and Ranges

David Kushner, Deputy Directors for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Mr. Kushner noted that this was a follow up to the Investment Committee August 18, 2009 meeting, and that approved changes would be presented at the October Board meeting in a revised Investment Policy Statement.

The most significant recommended changes in the sub-asset class structure include:

No changes to Domestic Equity structure;
No changes to International Equity structure;
Addition of Bond Index Fund as an option, with associated reductions in Core Plus and Internal Fixed Portfolios; and,
Review of the purpose of the Internal Fixed Income portfolio and recommend associated changes.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, seconded by Commissioner Elsbernd to Approve the Recommendation to Amend Sub Asset Class Targets and Ranges.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Jr.

Absent: Wright

10. Approval of Revised Investment Guidelines for Advent Capital Management (Convertible Securities Manager)

David Kushner, Deputy Directors for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Mr. Kushner noted that the proposed changes included a revision to define non-US domiciled companies as International companies if not included in the index; to allow up to 5% in securities rated CCC+ or lower; and, reduction of excess return objective and incorporation of tracking error target.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, seconded by Commissioner Casciato to Approve the Revised Investment Guidelines for Advent Capital Management (Convertible Securities Manager)

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Jr.

Absent: Wright

11. Report on the Performance of the Retirement Fund for the Quarter and Fiscal Year Ending 6/30/09

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Mr. Kushner noted that the Fund remains sound, however for fiscal year 2009, the Fund returned -22.00% compared to the Policy Index return of -16.2%. Fixed income was the largest detractor, making up over half of the System's underperformance due to particularly weak results in the first half of the fiscal year. Real Estate also contributed to negative performance, dropping 25.6% versus

-13.2% for the index.

SFERS' portfolio rose 6.8% to \$11.9 billion in its final quarter, trailing the Policy Index by 560 basis points. Relative to its peers (public funds with assets in excess of \$1 billion), SFERS has performed well over the long-term, placing first quartile over the five-year period.

The Board engaged in a question and answer session.

This was a discussion only item.

12. Report on Brokerage Commissions Generated by the Retirement Fund during the Quarter and Fiscal Year Ended 6/30/09

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

For the quarter ended 6/30/09, the Fund generated total commissions of approximately \$2.48 million, of which the System recaptured approximately \$89,039 or 3.35 percent. Brokerage directed to Emerging Brokers totaled approximately \$225,000 or 9.1 percent of the total.

The Board engaged in a question and answer session.

This was a discussion only item.

13. Annual Report on Tobacco Divestiture

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, seconded by Commissioner Elsbernd to Adopt Staff Recommendation of Companies Restricted from Investment due to Tobacco Exposure.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Jr.,

Absent: Wright

14. Annual Report on Sudan Divestiture

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, seconded by Commissioner Elsbernd to Adopt Staff Recommendation to Reaffirm the Implementation Procedures and Adopt the List of Companies Prohibited from Investment due to Ongoing Business Interests in the Sudan.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Jr.,

Absent: Wright

15. Report on the U.S. Treasury Public Private Investment Program (PPIP)

David Kushner, Deputy Directors for Investments, presented an oral and written report on this item.

The U.S. Treasury Public Private Investment Program (PPIP) was announced in March 2009 by the US Treasury as a means of providing liquidity in the residential and commercial mortgage-backed securities (RMBS and CMBS) market and encouraging financial institutions to sell such assets to improve their balance sheets and allow them to extend new credit to households and businesses.

Staff believes that SFERS currently has a substantial exposure to the CMBS and RMBS asset class through existing investments, including Hyperion, Pyramis, the Core Plus managers, and the TCW Special Mortgage Credits Fund. Recent changes to the investment guidelines for Hyperion and Pyramis permit these managers to purchase PPIP eligible securities if they find them to be attractive investment opportunities. These managers have expressed concerns that good PPIP eligible investments will be difficult to find given the recent run-up in market prices on these securities (in part because of the PPIP program) and the lack of supply currently available in the marketplace.

In summary, while acknowledging that the potentially inexpensive financing from the government makes this program look attractive, staff has reservations concerning the quality and pricing of the mortgage securities that will be eligible. Given these concerns, and the fact that SFERS has already made significant investments in the CMBS and RMBS market sectors, staff believes that an investment in the PPIP program is not warranted at this time.

The Board engaged in a question and answer session.

This was a discussion only item.

16. Deputy Director for Investments Report

David Kushner, Deputy Directors for Investments (DDI), presented an oral and written report on this item.

The DDI reported that:

- As of August 31, 2009, the fund was valued at approximately \$12.7 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended August 31, 2009, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI informed the Board of the following compliance issues:

Fixed Income Asset Class is modestly out of compliance with approved ranges;

Aberdeen/Western/Prima (Fixed Income Managers) each have holdings in securities violating credit quality guidelines due to recent downgrades. Staff has approved continued retention at discretion of manager, with monthly reporting requirements;

Artio (formerly Julius Baer) – purchased €70,000 of Alcatel, (violating Sudan restriction) on 8/12. Month end compliance check identified the position, which was subsequently sold at approx. €300 gain. Staff is reviewing internal processes to see if improvements need or should be made.

Armstrong Shaw (Lg. Cap Value Equity Manager) currently holds 12.5% in non-U.S. securities (based on market value as of 8/26/09) vs. 10% guideline limitation. Of the five non-U.S. securities held in the portfolio, four of the securities are listed on the NYSE as their primary exchange and the fifth is traded on the NYSE as an ADR. Staff is evaluating a request to amend the investment guidelines and expects to bring revised guidelines to the Board in October if necessary.

- The DDI informed the Board that Julie Madnick, Portfolio Manager for Hyperion (High Yield CMBS Manager) was leaving the firm. Staff and Consultant view this is a key departure, and informed Hyperion that the account is frozen pending further information and discussion regarding the investment process and approach to be used going forward, as well as the skill set and background of the individuals assigned to our account.
- The DDI reported that the System recently closed on two secondary transactions in the Alternative Portfolio:

Sun Capital V – purchased \$10 million commitment; capital account value approximately \$2.8 million; purchased for approximately \$430,000;

First Reserve X – purchased \$777,263.16 commitment; capital account value approximately \$174,400; purchase for approximately \$5,600

- The DDI reported one proxy was voted during the month:
Axsys Technologies Inc. merger with General Dynamics Corporation (voted FOR)
- The DDI reported that the Small/SMID Cap Equity RFP resulted in response of approximately 50 products from 40 firms
- The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

The Board engaged in a question and answer session.

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

17. **Deferred Compensation Manager Report**
Carol Cyfert, Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

18. **Board Member's Report**
There were no reports from the Board.

This was a discussion only item.

19. Adjournment

Commissioner Peterson reminded Board members that the Special Meeting on Friday September 11th will start at 9:00 AM.

There being no further business, the Board adjourned its meeting at 10:15 AM in memory of the late George Springman, former Chief Investment Officer with SFERS, Elmer "Slim" Ballard, retired firefighter, and the late Fannie Mae Seals, mother of Dianne Owen-Lewis, SFERS Human Resources Manager.

Respectfully submitted,

Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, September 11, 2009
8:30 am

MISSION STATEMENT

***San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.***

RETIREMENT BOARD MEMBERS

Commissioner Richard H. Peterson, Jr. President

Commissioner Al Casciato Vice President

Commissioner Joseph Driscoll

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

GOVERNMENT
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Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	9:00
Commissioner Joseph D. Driscoll	9:00
Commissioner Sean Elsbernd	9:00
Commissioner Michael Kim	9:00
Commissioner Herb Meiburger	9:00
Commissioner Richard H. Peterson, Jr.	9:00
Commissioner Brenda Wright	Absent

Public Comment

Commissioner Peterson reviewed the procedures for public comment. There were no comments from the public.

REGULAR CALENDAR

1. Public Employee Appointment/Hiring: Executive Director, San Francisco Employee's Retirement System

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Meet in Closed Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiburger, Peterson, Jr.

Absent: Wright

The Retirement Board met in CLOSED SESSION to consider and interview candidates for the position of Executive Director as follows:

(Government Code section 54957(b); Administrative Code section 67.10(b))

Moved by Commissioner Casciato, Seconded by Commissioner Driscoll to Reconvene in Open Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiburger, Peterson, Jr.

Absent: Wright

Commissioner Kim, Chair of the Personnel Committee, reported that the Board had met in Closed Session and had voted not to disclose any discussion.

2. Adjournment

There being no further business, the Board adjourned its meeting at 4:15 PM.

Respectfully submitted,

Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, September 15, 2009
8:30 am

MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Richard H. Peterson, Jr. President

Commissioner Al Casciato Vice President

Commissioner Joseph Driscoll

Commissioner Sean Elsbernd

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

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AUG 21 2012

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Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Michael Kim	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	8:30

Public Comment

Commissioner Peterson reviewed the procedures for public comment. There were no comments from the public.

REGULAR CALENDAR

1. Public Employee Appointment/Hiring: Executive Director, San Francisco Employee's Retirement System

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Meet in Closed Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Jr.

Absent: Wright

The Retirement Board met in CLOSED SESSION to consider and interview candidates for the position of Executive Director as follows:

(Government Code section 54957(b); Administrative Code section 67.10(b))

Moved by Commissioner Casciato, Seconded by Commissioner Driscoll to Reconvene in Open Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Kim, Meiberger, Peterson, Jr.

Absent: Wright

Commissioner Kim, Chair of the Personnel Committee, reported that the Board had met in Closed Session and had voted not to disclose any discussion.

2. Adjournment

There being no further business, the Board adjourned its meeting at 10:15 AM.

Respectfully submitted,

Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, OCTOBER 13, 2009
8:30 AM

MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Richard H. Peterson, Jr. President

Commissioner Al Casciato Vice President

Commissioner Joseph Driscoll

Commissioner Sean Elsbernd

Commissioner Herb Meiberger

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

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Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	Absent
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Herb Meiberger	8:50
Commissioner Richard H. Peterson, Jr.	8:45
Commissioner Brenda Wright	Absent

Public Comment

Commissioner Peterson reviewed the procedures for public comment. Richard Rothman commended staff on the new web site, and commented on the inaccuracy of the final report of the Civil Grand Jury.

Craig Weber, Civil Grand Jury, spoke in support of the accuracy of the Civil Grand Jury report.

REGULAR CALENDAR

1. Minutes of the September 8, 2009, Board Meeting

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Minutes of the September 8, 2009 Board Meeting.

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Casciato, Wright

2. Minutes of the September 11, 2009 Board Meeting

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Minutes of the September 11, 2009 Board Meeting.

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Casciato, Wright

3. Minutes of the September 15, 2009 Board Meeting

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Minutes of the September 15, 2009 Board Meeting.

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Casciato, Wright

4. Personnel Committee Report

Commissioner Driscoll, member of the Personnel Committee, presented an oral and written report on this item. The Personnel Committee was charged by the Board with conducting the search process for the position of Executive Director.

Commissioner Driscoll reported that the Personnel Committee has completed its search process, and that Gary A. Amelio will be the next Executive Director.

The Board engaged in a question and answer session.

This was a discussion only item.

5. Semi-Annual Operations Division Report

Jay Huish, Deputy Director, presented an oral and written report on this item.

The Monitoring and Reporting Policy provides for a semi-annual report on activities, projects and/or initiatives.

Mr. Huish reported on the status of the following SFERS Operations activities:

- The Deferred Retirement Option Program;
- Retirement Seminars;
- Retirement Estimates;
- Actuarial Data Extracts;
- 2009 Annual Member Statements;
- Miscellaneous Plan Benefits Enhancement (Proposition B) Implementation;
- Airport Police Transfer;
- Retirement Restoration Project;
- Certification of Continued Eligibility for Continuation Benefits;
- Disaster Recovery/Business Resumption Planning;
- Hardware and Software updates;
- Year-End Financial Closing and Audit; and,
- Personnel Recruitment

The Board engaged in a question and answer session.

This was a discussion only item.

6. Report on the Project Status of SFERS Business Plan

Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish reported on the status of the following SFERS Business Plan initiatives for Fiscal year 2009-2010:

- 360° Evaluations for all Department Managers;
- Department Succession Planning;
- Investment Risk Management Project;
- Imaging Project – ADOC (Administration);
- Enhancement of New Hire Education/Outreach Related to Deferred Compensation Plan;
- Demographic Analysis of SFERS Active Membership to Determine Operational Impact and Appropriate Resource Level of potential Increase in Retirement Activity.

Ms. Murphy requested input from Board members regarding future business initiatives and on the FY 2010-2011 budget.

The Board engaged in a question and answer session.

This was a discussion only item.

7. **Approval of Resolution Commending Michael Kim for Service on the Retirement Board**
Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve a Resolution Commending Michael Kim for Service on the Retirement Board
Action: Approved by the following vote:
Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.
Absent: Casciato, Wright
8. **Approval of Resolution Commending Allan Amber upon his Retirement from the San Francisco Employees' Retirement System**
Moved by Commissioner Driscoll, Seconded by Commissioner Meiberger to Approve a Resolution Commending Allan Amber upon his Retirement from the San Francisco Employees' Retirement System
Action: Approved by the following vote:
Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.
Absent: Casciato, Wright
9. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

9a. Voluntary Retirement Board List No. 04-09

9b. Decision of Hearing Officers

Meles Ambaye Effective Date: 5/1/08	1053 IS Business Analyst Sr. DTIS	Ordinary Disability Retirement Granted
George J. Bruce Effective Date: 6/30/07	H-30 Acting, Captain Fire	Industrial Disability Retirement/ Stip Granted
Stefan E. Cheresnik Effective Date: 10/3/08	9212 Airport Safety Officer Airport	Ordinary Disability Retirement Granted
Dominic L. Gamboa Effective Date: 6/30/09	Q-4 Police Officer III Police	Industrial Disability Retirement Granted
Gary M. Gautier Effective Date: 6/28/08	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Granted
Dave Howlett Effective Date: 3/1/09	9343 Roofer Port	Ordinary Disability Retirement Granted

Richard M. Huey Effective Date: 9/23/08	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
John I. Hughes Effective Date: 1/10/07	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Granted
Mei M. Li Effective Date: 6/1/08	2708 Custodian SFUSD	Ordinary Disability Retirement Granted
Dean C. Litchfield Effective Date: 6/15/09	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Granted
Jacqueline P. Medernach Effective Date:	8306 Sr. Deputy Sheriff Sheriff	PERS Granted
Chris E. Montgomery Effective Date: 4/25/09	0932 Manager IV DPW	Ordinary Disability Retirement/ Stip Granted
Tai Oloa Effective Date: 2/1/09	7514 General Laborer Muni	Ordinary Disability Retirement Granted
Thomas O'Malley Effective Date: 6/29/07	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Granted
Jorge A. Ortez Effective Date: 4/30/08	2604 Food Service Worker SFGH	Ordinary Disability Retirement/ Stip Granted
Michael Puccinelli Effective Date: 9/16/06	0490 Commander III Police	Industrial Disability Retirement/ Stip Granted
Federico J. Sanchez Effective Date: 4/9/05	0150 Deputy Chief of Dept. Fire	Industrial Disability Retirement/ Stip Denied
Robert P. Segale Effective Date: 7/1/08	H-2 Firefighter Fire	Industrial Disability Retirement Granted
Judith D. Solis Effective Date: 10/3/09	Q-4 Police Officer III Police	Industrial Disability Retirement Granted
Rolando M. Vengco Effective Date: 3/1/07	7410 Automotive Service Worker – Muni	Ordinary Disability Retirement Denied
Adam J. Young Effective Date: 10/1/07	H-40 Battalion Chief (Fire Dept) Fire	Industrial Disability Retirement Denied

9c. Petition for Rehearing

Rolando M. Vengco Effective Date: 3/1/07	7410 Automotive Service Worker – Muni	Ordinary Disability Retirement Denied
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9d. Dismissal of Disability Retirement Application

Lawrence Dow – Ordinary Disability Retirement
Janet M. Perez – Industrial Disability Retirement

Moved by Commissioner Elsbernd, Seconded by Commissioner Driscoll to Approve Consent Calendar Action: Approved by the following vote:
Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.
Absent: Casciato, Wright

10. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Unified School District remains current in their payroll payment and processing reporting. Ms. Murphy noted improvement in this area and recommended that the Board review the monthly reporting following completion of the audit.

The Request for Proposal in Progress Blackout Period List was distributed.

A Board retreat has been scheduled for December 2, 2009.

The Litigation Update will be provided under the City Attorney's report on the agenda.

A DROP quarterly report was presented. A final report to the Board of Supervisors is due by April, 2011.

The Board of Supervisors and the Mayor's Office are currently reviewing City Board and Commission travel policies; a copy of the Board's travel policy has been provided to them.

A letter from the Mayor's Office regarding possible Iranian divestment was distributed to the Board.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

11. Semi-Annual Review of Real Estate for the Period Ending 6/30/09

David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, The Townsend Group, presented an oral and written report on this item.

For the Calendar year ended 6/30/09, the Real Estate portfolio provided a total return of -33.3% vs. the benchmark (NPI+ 150bps) return of -18.1%. For the five year period ended 6/30/08, Real Estate provided a 3.8% total return, vs. the benchmark (NPI+ 150bps) of 9.1%.

The Board engaged in a question and answer session.

This was a discussion only item.

12. Approval to Commit up to \$ 20 Million to Energy Capital Partners II, LP

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, and Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, Seconded by Commissioner Meiberger to Commit up to \$ 20 Million to Energy Capital Partners II, LP

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Casciato, Wright

13. Approval of Rescission of Authority to Invest up to \$25 Million in the Advent Convertible Securities Recovery Fund (CSRF)

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Driscoll, Seconded by Commissioner Elsbernd to Approve Rescission of Authority to Invest up to \$25 Million in the Advent Convertible Securities Recovery Fund (CSRF)

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Casciato, Wright

14. Approval of Revised Investment Guidelines for Armstrong Shaw (Large Cap Value Equity Manager)

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Mr. Kushner reported that Armstrong Shaw has requested changes to Investment Guidelines to allow exposure to companies domiciled outside the United States but listed on a U.S. exchange.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Driscoll to Approve Revised Investment Guidelines for Armstrong Shaw (Large Cap Value Equity Manager)

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Casciato, Wright

15. Discussion of Role of Internal Fixed Income Portfolio and Approval of Revised Investment Guidelines

David Kushner, Deputy Director for Investments, Dick Piket, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Meiberger recommended the elimination of Securities Lending from the Internal Fixed Income Portfolio, and a reduction in the percentage of GNMA's held due to divergence from the benchmark. Mr. Kushner clarified that the liquidity of the Internal Fixed Income Portfolio was not impacted by Securities Lending.

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Continue the Item to the Next Meeting

Action: Approved by the following vote:

Ayes: Elsbernd, Meiberger, Peterson, Jr.

Noes: Driscoll,

Absent: Casciato, Wright

Moved by Commissioner Driscoll, Seconded by Commissioner Meiberger to Rescind the Previous Vote

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Casciato, Wright

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Continue the Item to the Next Meeting

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Casciato, Wright

16. Approval of Revised Investment Policy Statement

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Approve the Revised Investment Policy Statement

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Casciato, Wright

17. Approval of Semi-Finalists for Small/SMID Cap Growth Equity Management Services

David Kushner, Deputy Director for Investments, Bob Shaw, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Driscoll to Approve the Semi-Finalists for Small/SMID Cap Growth Equity Management Services

Action: Approved by the following vote:

Ayes: Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Casciato, Wright

18. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

The DDI reported:

- As of September 30, 2009, the fund was valued at approximately \$13.1 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended September 30, 2009, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI informed the Board that Jules Green, a member of the Investment Committee at Ashmore Investment Management (Emerging Markets Manager), has announced his retirement. This is not expected to have an impact on the manager.
- The DDI informed the Board of the following compliance issues:
 - Fixed Income Asset Class is modestly out of compliance with approved ranges;
 - Aberdeen/Western/Prima/Artio/Oaktree each have holdings in securities violating credit quality guidelines due to recent downgrades. Staff has approved continued retention at discretion of manager, with monthly reporting requirements;
 - Armstrong Shaw (Lg. Cap Value Equity Manager) continues to hold a larger percentage of non-U.S. securities than allowed by existing guidelines. The Retirement Board approved revised guidelines to address this issue.
- The DDI reported one proxy was voted during the month:
Varian Inc. merger with Agilent Technologies (voted **FOR**)
- The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

The Board engaged in a question and answer session.

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

19. Review of the SFDCP Semi-Annual Investment Performance Analysis Provided by Angeles Investment Advisors

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmusen, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Meiburger commended Mr. Rasmusen on the report format.

This was a discussion only item.

20. **Deferred Compensation Manager Report**

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

21. **Board Member's Report**

There were no reports from the Board.

This was a discussion only item.

CITY ATTORNEY'S REPORT

22. **Update on A.B. 1584**

Caryn Bortnick, Deputy City Attorney, presented an oral report on this item.

A.B. 1584 was signed by the Governor, and as an emergency measure takes immediate effect. The Board will have until June 2010 to develop a policy on the use and disclosure of placement agents. All external investment managers must certify compliance with Board's policy. A policy will be presented for adoption at a future Board meeting.

This bill would include a member of the board, a deputy executive officer, and an assistant executive officer among those positions subject to the 2-year postemployment restriction, and would delete the qualification that the person have served in that position for less than 5 years. The bill also would make that postemployment restriction applicable to designated officers and employees, board members, and administrators of county retirement systems and specified employees of other public pension and retirement systems.

This bill would require the retirement boards of each public pension or retirement system to develop and implement, on or before June 30, 2010, a policy requiring the disclosure of payments to placement agents, as defined, in connection with system investments in or through external managers, as defined. The bill would prohibit an external manager or placement agent that violates that policy from soliciting new investments from the system for 5 years after the violation was committed, but would provide for the reduction of that prohibition as specified. The bill also would prohibit the system from entering into any agreement with an external manager that does not agree in writing to comply with the policy. The bill would require a placement agent, prior to acting as a placement agent in connection with any potential system investment, to disclose to the board all campaign contributions made by the placement agent to any elected member of the board, and all gifts given to any member of the board, during the prior 24-month period, and to disclose any subsequent campaign contribution made by the placement agent to an elected member of the board, or a subsequent gift given to any member of the board, during the time the placement agent is receiving compensation in connection with a system investment. The bill would prohibit a member or employee of the board from, directly or indirectly, by himself or herself, or as an agent, partner, or

employee of a person or entity other than the board, selling or providing any investment product that would be considered an asset of the fund to any public retirement system in California.

The City Attorney will be reviewing the impact of the new requirement with each individual Board member.

The Board engaged in a question and answer session.

This was a discussion only item.

23. Update on Securities Litigation

The Board's Securities Litigation Policy requires the reporting of all litigation where projected losses could exceed \$2 million.

The Board engaged in a question and answer session.

This was a discussion only item.

24. Adjournment

There being no further business, the Board adjourned its meeting at 11:10 AM.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Clare M. Murphy".

Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

SPECIAL MEETING
TUESDAY, NOVEMBER 17, 2009
8:30 AM

MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Richard H. Peterson, Jr. President

Commissioner Al Casciato Vice President

Commissioner Joseph Driscoll

Commissioner Sean Eisbernd

Commissioner Herb Meiberger

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

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Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	Absent

Public Comment

Commissioner Peterson reviewed the procedures for public comment. There were no comments from the public.

REGULAR CALENDAR

1. **Minutes of the October 13, 2009, Board Meeting**

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Minutes of the October 13, 2009 Board Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

2. **Review of Economic Experience Analysis and Adoption of Economic Assumptions**

Clare Murphy, Executive Director, Ken Kent (participating by conference call), Anne Harper and Bill Hallmark, Cheiron (Consulting Actuary) presented an oral and written report on this item.

Ms. Harper noted that the purpose of the analysis is to evaluate if the current economic assumptions adequately reflect long-term expectations for SFERS. Mr. Hallmark recommended no changes in the economic assumptions to be employed in the upcoming actuarial valuation.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Accept the Report and Adopt the Economic Experience Analysis and Economic Assumptions

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

3. **Preliminary Business Plan Presentation**

Jay Huish, Deputy Director, provided an oral and written report on this item.

Mr. Huish reported that the preliminary draft Business Plan for 2010-2011 has been developed in accordance with the Business Planning Policy as amended by the Retirement Board in 2004. Discussions with individual Retirement Board members regarding proposed business initiatives for 2010-2011 are on-going. The current draft includes input and recommendations from the Retirement senior staff.

Current planned initiatives include:

- Investment Risk Management Project;
- Imaging Project – ADOC (Administration);
- Demographic Analysis of SFERS Active membership;
- Deferred Retirement Option Program (DROP) Joint Cost Report to the Board of Supervisors;
- Review and Assessment of Electronic Processing of Investment Transactions;
- Analysis of Target Date Investment Options for the San Francisco Deferred Compensation Plan; and,
- Retirement Board Process for Providing Cost Information Regarding Proposed Benefit Changes.

The final Business Plan will be presented to the Board for adoption at the December Board meeting.

Richard Rothman, retiree and SEIU member, spoke in support of the redesigned web site and encouraged the addition of an on-line retirement calculator. Commissioner Casciato noted the limitations of an on-line calculator, including the impact of a shortage or inclusion of reciprocal service.

This was a discussion only item.

4. **Adjustment of Retirement Allowance for Charles E. McCullar – (Requires ballot vote)**
Approved by ballot vote to adjust the Industrial Disability Retirement Allowance for Charles E. McCullar from 50% to 54%.
Action: Approved by the following vote:
Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.
Absent: Wright
5. **Adjustment of Retirement Allowance for Glendon A. Melanson – (Requires ballot vote)**
Approved by ballot vote to adjust the Industrial Disability Retirement Allowance for Glendon A. Melanson from 50% to 67%.
Action: Approved by the following vote:
Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.
Absent: Wright
6. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

6a. Voluntary Retirement Board List No. 05-09

6b. Decision of Hearing Officers

Gerald J. Coghlan
Effective Date: 6/14/08

H-2 Firefighter
Fire

Industrial Disability Retirement/ Stip
Granted

Charles E. Hallgren

H-20 Lieutenant (Fire Dept)

Industrial Disability Retirement/ Stip

Effective Date: 4/25/07	Fire	Granted
Paul R. Lozada Effective Date: 10/11/06	Q-3 Police Officer II Police	Industrial Disability Retirement Denied
Richard D. Pasquinelli Effective Date: 8/18/07	H-20 Lieutenant (Fire Dept) Fire	Industrial Disability Retirement/ Stip Granted
Rene Reynolds Effective Date:	8316 Asst. Counselor Juvenile Probation	PERS Granted
Jose Robles Effective Date: 3/26/05	Q-2 Police Officer Police	Industrial Disability Retirement/ Stip Denied
Timothy G. Tang Effective Date: 5/2/09	Q-4 Police Officer III Police	Industrial Disability Retirement/ Stip Granted
Thomas Taylor Effective Date: 1/12/08	Q-2 Police Officer Police	Industrial Disability Retirement/ Stip Denied
Suzette Tillman Effective Date:	8444 Probation Officer Adult Probation	PERS Denied

6c. Petition for Rehearing

Thomas Taylor Effective Date: 1/12/08	Q-2 Police Officer Police	Industrial Disability Retirement/ Stip Denied
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6d. Approval for Commissioner Meiberger and other Board Members to attend the Public Fund Boards Forum to be held on December 12-15, 2009, in San Francisco, CA.

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

7. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

Ms. Murphy noted that Mr. Amelio started on November 9th, has had an opportunity to meet with all staff and with Department heads, and had the opportunity to attend a Board of Supervisors hearing.

School District remains current in their payroll payment and processing reporting. Ms. Murphy noted improvement in this area and recommended that the Board review the monthly reporting following completion of the audit.

The Request for Proposal in Progress Blackout Period List was distributed.

A Legislation Update was provided, two new public pension plan initiatives are being circulated at the state level.

A Budget Update was provided, the Mayor's budget instructions will be distributed shortly. Additional revisions (reductions) may be required in the current fiscal year.

The Forward Calendar was distributed. There is a full calendar for the meeting of December 8th, and a Finance Committee meeting on December 15th. Commission Meiberger requested that the Finance Committee start at 8:00 AM. Committee members agreed to review the start time.

Educational Opportunities List was distributed.

The Litigation Update will be provided under the City Attorney's report on the agenda.

A Survivor Verification Report was presented by Jay Huish, Deputy Director. Mr. Huish report that out of the 3,700 survivors and beneficiaries contacted, 27 pensions had been suspended at the end of October, and all but 13 of those have subsequently been resolved.

Board Retreat Update report was presented. The meeting is scheduled at the Asian Art Museum on December 2, 9:00 AM – 2:00 PM. A follow up retreat will be scheduled for mid-2010.

The Board engaged in a question and answer session.

This was a discussion only item.

Break 10:00 – 10:10

INVESTMENT CALENDAR

8. **Review and Approval of Strategic Investment Plan for Alternative Investment Program**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

Mr. Kushner reported that the Alternative Investment Consultant (Portfolio Advisors), working with Staff, has reviewed the Strategic Investment Plan for the Alternative Investment Program. This plan is designed as a five year Plan for the investment of assets in the Alternative Investment Program.

As a result of the review, Portfolio Advisors and Staff recommend the following additions to the Strategic Plan:

Introduce the 2009 ILPA Private Equity Principles Report. These are suggested guidelines or best practices endorsed by the greater limited partner community as a basis for improving the private equity industry. SFERS will seek support for these best practices during ongoing discussions with its fund managers.

Acknowledgement of the fiduciary responsibility of investment manager's to the Trust. SFERS will seek to have its assets managed by qualified investment managers acting in a fiduciary capacity.

The Plan supports maintaining allocation levels to three main investment categories: 30% to venture, 50% to buyout/corporate finance, and 20% to special situation funds. Also, the Strategic Plan calls for 80% of fund commitments to be placed with funds domiciled in North America, with a 20% exposure to International funds.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the Strategic Investment Plan for the Alternative Investment Program.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

9. Discussion of Role of Internal Fixed Income Portfolio and Approval of Revised Investment Guidelines

David Kushner, Deputy Director for Investments, Dick Piket, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Mr. Piket noted the conservative nature of the portfolio.

The Board engaged in a question and answer session.

Commissioner Meiberger expressed concern regarding the proposed benchmark, and noted the possibility for a larger tracking error than projected in the proposed guidelines.

Moved by Commissioner Elsbernd, Seconded by Commissioner Driscoll to Approve the Revised Investment Guidelines.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Peterson, Jr.

Noes: Meiberger

Absent: Wright

10. Recommendation to Retain Perimeter Capital Management for Small Cap Growth Equity Management

David Kushner, Deputy Director for Investments, Bob Shaw, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

At the September 8, 2009 meeting, the Retirement Board approved semifinalists to be interviewed for a U.S. Small/SMID Capitalization Growth Equities Mandate. Staff and consultant recommend retention of Perimeter Capital Management.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Retain Perimeter Capital Management for Small Cap Growth Equity Management.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

11. Approval of Recommendation to Terminate Brookfield Investment Management (High Yield CMBS Investment Management Services)

David Kushner, Deputy Director for Investments, Dick Piket, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Mr. Kushner noted that this account has previously been frozen by staff. Staff and Consultant recommend termination of Brookfield Investment Management due to poor performance.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Terminate Brookfield Investment Management (High Yield CMBS Investment Management Services) and Transfer the Assets to Pyramis Global Advisors (Formerly Fidelity) HY CMBS.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

12. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The DDI reported:

- As of October 31, 2009, the fund was valued at approximately \$13 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended October 31, 2009, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI informed the Board that Capmark, parent company of one of SFERS' Real Estate managers, filed for bankruptcy. The entity with whom SFERS does business is not included in the filing. Staff continues to work closely with legal counsel and the Real Estate Consultant in monitoring this situation.
- The DDI informed the Board of the following compliance issues:

Fixed Income Asset Class is modestly out of compliance with approved ranges;

Aberdeen/Western/Prima/Artio/Oaktree each has holdings in securities violating credit quality guidelines due to recent downgrades. Staff has approved continued retention at discretion of manager, with monthly reporting requirements; and,

One equity manager (Artio) inadvertently purchased a restricted security due to an anomaly in the security identification number. This security was sold as soon as the error was noticed (next day) for a small gain to the Fund.

- The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

Commissioner Elsbernd left the meeting at 10:45

The Board engaged in a question and answer session.

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

13. **Deferred Compensation Manager Report**

Carol Cypert, Deferred Compensation Manager, submitted a written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

14. **Board Member's Report**

Commissioner Peterson reported on his attendance at the PREA Conference, October 27-29, 2009, Los Angeles, CA.

Commissioner Meiberger reported on his attendance at the Pacific Pension Institute Conference, Bangkok, Thailand.

The Board engaged in a question and answer session.

This was a discussion only item.

CLOSED SESSION

15. Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10 and §67.12(b)(3), the Retirement Board met in closed session.

CONFERENCE WITH LEGAL COUNSEL – LITIGATION

Government Code §54956.9(b)(1); S.F. Administrative Code §67.11 and §67.12(b)(3)
(One Case, SFERS as Plaintiff and Defendant)

Moved by Commissioner Casciato, seconded by Commissioner Driscoll to meet in Closed Session
Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Meiberger, Peterson, Jr.

Absent: Elsbernd, Wright

Moved by Casciato and Seconded by Meiberger to Reconvene in Open Session and not report out discussion from the Closed Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Meiberger, Peterson, Jr.

Absent: Elsbernd, Wright

Caryn Bortnick, Deputy City Attorney, reported that the Board took no action and did not disclose any discussion from the Closed Session.

16. Adjournment

There being no further business, the Board adjourned its meeting at 11:15 AM in memory of the late Joseph Thomas Elsbernd, father of Supervisor Elsbernd.

Respectfully submitted,

A handwritten signature in cursive script, reading "Clare M. Murphy". The signature is written in dark ink and is positioned above the printed name.

Clare M. Murphy
Executive Director



MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000

San Francisco, CA 94102

SPECIAL MEETING

WEDNESDAY, DECEMBER 2, 2009

9:00 AM – 2:00 PM

Asian Art Museum, 4th Floor Conference Room

200 Larkin Street

San Francisco

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Richard H. Peterson, Jr. President

Commissioner Al Casciato Vice President

Commissioner Joseph Driscoll

Commissioner Sean Elsbernd

Commissioner Herb Meiberger

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

**GOVERNMENT
DOCUMENTS DEPT**

DEC 10 2009

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PUBLIC LIBRARY**

Pledge of Allegiance

Public Comment

Commissioner Peterson reviewed the procedures for public comment. There were no comments from the public.

REGULAR CALENDAR

1. Review of Agenda and Retreat Process

Tom Iannucci, Cortex Applied Research, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

2. Discussion of Current Status of SFERS

Tom Iannucci, Cortex Applied Research, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was a discussion only item.

3. Lunch Break – 11:45 – 12:45 P.M.

4. Wrap Up and Next Steps

Tom Iannucci, Cortex Applied Research, presented an oral and written report on this item.

The Board engaged in a question and answer session.

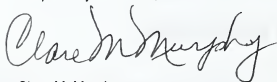
The Board discussed conducting a follow up meeting after the conclusion of the FY 2010-2011 City budget process. The Executive Director will present a recommendation at a future Board meeting.

This was a discussion only item.

5. Adjournment

There being no further business, the Board adjourned its meeting at 1:55 PM.

Respectfully submitted,



Clare M. Murphy
Executive Director



MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, DECEMBER 8, 2009
8:30 AM

MISSION STATEMENT

*San Francisco City and County Employees'
Retirement System is Dedicated to Securing,
Protecting and Prudently Investing the Pension
Trust Assets, Administering Mandated Benefit
Programs, and Providing Promised Benefits.*

RETIREMENT BOARD MEMBERS

Commissioner Richard H. Peterson, Jr. President

Commissioner Al Casciato Vice President

Commissioner Joseph Driscoll

Commissioner Sean Elsbernd

Commissioner Herb Meiberger

Commissioner Brenda Wright

Clare M. Murphy

Executive Director

GOVERNMENT
DOCUMENTS DEPT

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Pledge of Allegiance

Roll Call:

Commissioner Al Casciato	8:30
Commissioner Joseph D. Driscoll	8:30
Commissioner Sean Elsbernd	8:30
Commissioner Herb Meiberger	8:30
Commissioner Richard H. Peterson, Jr.	8:30
Commissioner Brenda Wright	Absent

Public Comment

Commissioner Peterson reviewed the procedures for public comment. There were no comments from the public.

REGULAR CALENDAR

1. **Approval of Minutes of the November 17, 2009, Board Meeting**

Moved by Commissioner Driscoll, Seconded by Commissioner Elsbernd to Approve the Minutes of the November 17, 2009 Board Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

2. **Approval of Minutes of the December 2, 2009 Board Retreat**

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Approve the Minutes of the December 2, 2009 Board Meeting.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

3. **Initial Review of the San Francisco Employees' Retirement System Annual Report for Fiscal Year 08-09**

Clare Murphy, Executive Director, presented an oral and written report on this item.

A copy of the draft Annual Report was distributed to the Board for their review and comment. Comments were requested by December 18, 2009.

This was a discussion only item.

4. **Review and Approval of Supplemental COLA Report**

Clare Murphy, Executive Director, and Bill Hallmark, Cheiron (Consulting Actuary) presented an oral and written report on this item.

Cheiron found that there were no excess earnings in 2008-2009, and therefore no Supplemental Cost of Living Adjustment can be authorized.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Accept the Supplemental COLA Report

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

5. Approval of SFERS Business Plan for Plan Year 2010 - 2011

Jay Huish, Deputy Director, provided an oral and written report on this item.

Mr. Huish reported that the preliminary draft Business Plan for 2010-2011 has been developed in accordance with the Business Planning Policy as amended by the Retirement Board in 2004. Discussions with individual Retirement Board members regarding proposed business initiatives for 2010-2011 are on-going. The current draft includes input and recommendations from the Retirement senior staff.

Current planned initiatives include:

- Investment Risk Management Project, included identified deliverables for 2010-2011;
- Imaging Project – ADOC (Administration);
- Demographic Analysis of SFERS Active membership;
- Deferred Retirement Option Program (DROP) Joint Cost Report to the Board of Supervisors;
- Review and Assessment of Electronic Processing of Investment Transactions;
- Analysis of Target Date Investment Options for the San Francisco Deferred Compensation Plan; and,
- Retirement Board Process for Providing Cost Information Regarding Proposed Benefit Changes.

Commissioner Driscoll discussed the timeline for the Investment Risk Management Project. David Kushner, Deputy Director for Investments, noted that additional information would be presented at the February Investment Committee meeting.

Moved by Commissioner Elsbernd, Seconded by Commissioner Casciato to Accept Business Plan for 2010-2011.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

6. Amendment to Board Resolution Number 44

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Accept the Supplemental COLA Report

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

7. **Adjustment of Retirement Allowance for Richard R. Cirimele – (Requires ballot vote)**
Approved by ballot vote to adjust the Industrial Disability Retirement Allowance for Richard R. Cirimele to 81%.
Action: Approved by the following vote:
Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.
Absent: Wright

8. **CONSENT CALENDAR**

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

8a. **Voluntary Retirement Board List No. 06-09**

8b. **Decision of Hearing Officers**

Velma J. Baggett Effective Date: 9/19/09	9163 Transit Operator Muni	Ordinary Disability Retirement Granted
Ronald Evans Effective Date: 5/1/09	1424 Clerk Typist DPH	Ordinary Disability Retirement Granted
Phillip Fitting Effective Date: 8/17/04	H-20 Lieutenant Fire	Industrial Disability Retirement/Stip Granted
Evangeline A. Grecousis Effective Date: 1/17/07	8238 Public Safety Comm. Dispatcher – ER Comm.	Ordinary Disability Retirement Granted
Clayton M. Laderer Effective Date: 2/2/09	H-3 Firefighter/Paramedic Fire	Industrial Disability Retirement Granted
Eugene T. Murphy Effective Date: 6/1/08	H-30 Acting Captain (Fire Dept). Fire	Industrial Disability Retirement/Stip Granted
Jorge J. Noguera Effective Date: 2/1/09	7381 Automotive Mechanic Muni	Ordinary Disability Retirement/ Stip Granted
Edward P. O'Toole Effective Date: 1/24/09	Q-4 Police Officer III Police	Industrial Disability Retirement/Stip Granted
John F. Parenti Effective Date: 5/5/07	Q-4 Police Officer III Police	Industrial Disability Retirement/Stip Granted
Alfred C. Rizotto Effective Date: 6/28/07	H-30 Acting Captain (Fire Dept) Fire	Industrial Disability Retirement/Stip Granted
Ronald E. Trainor Effective Date: 6/18/04	H-40 Battalion Chief Fire	Industrial Disability Retirement/Stip Denied
David T. Tracey	H-20 Acting, Lieutenant (Fire)	Industrial Disability Retirement/Stip

Effective Date: 5/4/06

Dept) – Fire

Denied

Lourdes R. Yu

2320 Registered Nurse

Ordinary Disability Retirement

Effective Date: 8/1/08

DPH

Granted

8c. Dismissal of Disability Retirement Application

Anna Flippin – Death as a Result of Duty (Thomas Flippin)

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Approve the Consent Calendar.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

9. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

School District remains current in their payroll payment and processing reporting. Ms. Murphy noted improvement in this area and will likely remove this item by the January Board meeting.

The Request for Proposal in Progress Blackout Period List was distributed.

A Litigation Update was provided; the Lexin matter remains before the California Supreme Court and a decision is expected by February, 2010.

A Legislation Update was provided; two new public pension plan initiatives are being circulated at the state level.

A Budget Update was provided. Additional revisions (reductions) may be required in the current fiscal year. Staff will update the Board on any potential workload and bumping impact.

The Forward Calendar was distributed. There are Finance Committee and Personnel Committee meetings on December 15th.

Educational Opportunities List was distributed.

Ms. Murphy extended holiday greetings to the Board and expressed her appreciation to the Board for their support in her 24 1/2 years as Executive Director.

Ms. Murphy noted that the Department of Elections had certified that there was only one candidate for the planned February 2010 Board election, and that Commissioner Casciato has been re-elected unopposed.

Commissioner Meiberger discussed the Board's attendance policy.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

10. Investment Committee Report

Joseph Driscoll, Chair of the Investment Committee presented an oral and written report on this item.

The Investment Committee met on November 17, 2009 and received an update from staff and consultant (Holland Park) regarding risk management activities.

This was a discussion only item.

11. Report on the Investment Performance of the Retirement Fund for the Quarter Ending 9/30/09

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

For the quarter ended 9/30/09, the Retirement Fund was valued at \$13.2 billion, providing a total return of 10.9% for the quarter and -5.2% for the trailing 12 months

The Board engaged in a question and answer session.

This was a discussion only item.

12. Report on Brokerage Commissions Generated by the Retirement Fund during the Quarter Ending 9/30/09

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

For the quarter ended 9/30/09, the Retirement Fund generated total commissions of approximately \$2.1 million, of which the System recaptured approximately \$74,000 or 3.6 percent. Brokerage directed to Emerging Brokers totaled approximately \$205,000 or 9.9 percent of the total.

The Board engaged in a question and answer session.

This was a discussion only item.

13. Report on Performance of Alternative Investment Program for the Period Ended 6/30/09

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

For the 12 months ended 6/30/09, the Alternative Investment portfolio provided a total return of -20.56 versus the S&P 500 (plus 500 basis points) benchmark of -21.20%. For a five year period ended 6/30/09, the Alternative Investment portfolio provided an 18.31% total return versus the S&P 500 (plus 500 basis points) benchmark of 2.76%.

The Board engaged in a question and answer session.

Jean Thomas, retiree, inquired regarding investment in energy. At the request of Commissioner Elsbernd, Mr. Murphy summarized the Funds investment in the energy sector.

This was a discussion only item.

14. Review and Approval of 2010 Annual Investment Plan for Alternative Investment Program

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

At its November 17, 2009 meeting, the Retirement Board adopted the Strategic Investment Plan for the Alternative Investment Program. The Annual Investment Plan for calendar year 2010 is intended to address the investment strategy for the asset class for the next twelve months. The plan indicates the Retirement System should anticipate new commitments totaling approximately \$275 million during calendar 2010.

The Board engaged in a question and answer session.

Moved by Commissioner Elsbernd, Seconded by Commissioner Meiberger to Approve the 2010 Annual Investment Plan for the Alternative Investment Program

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

15. Approval to Commit up to \$20 million in Squadron Asia Fund II, LP

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

Staff and consultant recommended that the Retirement Board approve a \$20 million commitment to Squadron Asia Pacific Fund II. This will be the second commitment to Squadron Capital. Squadron Capital is targeting \$400 million for Fund II. This will be classified as a Special Situations, Fund-of-Funds investment in the Alternative investment Portfolio.

The Board engaged in a question and answer session.

Moved by Commissioner Meiberger, Seconded by Commissioner Elsbernd to Approve the 2010 Annual Investment Plan for the Alternative Investment Program

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

16. Approval of Investment Guidelines for Perimeter Capital Management (Small Cap Growth Equity Manager)

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Moved by Commissioner Casciato, Seconded by Commissioner Elsbernd to Approve Investment Guidelines for Perimeter Capital Management (Small Cap Growth Equity Manager).

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

17. **Deputy Director for Investments Report**

David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

The DDI reported:

- As of November 30, 2009, the fund was valued at approximately \$13.3 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended November 30, 2009, as well as current asset and sub-asset class allocation information. The DDI cautioned that these are preliminary estimates of return and valuation.
- The DDI informed the Board of the following compliance issues:
 - Aberdeen/Western/Prima/Artio/Oaktree each have holdings in securities violating credit quality guidelines due to recent downgrades. Staff has approved continued retention at discretion of manager, with monthly reporting requirements
 - Prima continues to be overweight relative to allowed ranges
- The DDI reported that Jeffrey Gundlach, Chief Investment Officer at TCW, has left the firm. Staff is evaluating what options may be available and will keep the Board apprised of developments
- The DDI reported that the transfer of assets from Brookfield to Pyramis (HY-CMBS) is complete
- The DDI reported that Staff voted one proxy during the month:
Approval of Management Change for BGI iShares from BGI to Blackrock (Voted **FOR**)
- The DDI reiterated to the Board that the Fund remains solid, and sufficient liquidity exists to meet the Fund's needs for the foreseeable future.

The Board engaged in a question and answer session.

This was a discussion only item.

Break: 10:00 – 10:10 AM

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. **Deferred Compensation Manager Report**

Carol Cypert, Deferred Compensation Manager, presented a written and oral report on this item.

Ms. Cypert reported on the 2010 contribution limits for participants, and presented the Great-West monthly activity for November 2009.

The Board engaged in a question and answer session.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

19. Board Member's Report

Commissioner Casciato reported on his attendance at the Employee Benefits Conference, November 7-11, 2009, Orlando, FL.

This was a discussion only item.

CLOSED SESSION

20. Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10 and §67.12(b)(3), the Retirement Board met in closed session.

CONFERENCE WITH LEGAL COUNSEL – LITIGATION

Government Code §54956.9(b)(1); S.F. Administrative Code §67.11 and §67.12(b)(3)
(One Case, SFERS as Plaintiff)

Moved by Commissioner Casciato, seconded by Commissioner Elsbernd to meet in Closed Session
Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

Absent: Wright

Moved by Elsbernd and Seconded by Casciato to Reconvene in Open Session and not report out discussion from the Closed Session.

Action: Approved by the following vote:

Ayes: Casciato, Driscoll, Elsbernd, Meiberger, Peterson, Jr.

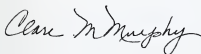
Absent: Wright

Caryn Bortnick, Deputy City Attorney, reported that the Board voted to authorize staff to transfer the Capmark management agreement to Treecap, and not disclose discussions.

21. Adjournment

There being no further business, the Board adjourned its meeting at 11:00 AM commending Clare Murphy in honor of her planned retirement.

Respectfully submitted,



Clare M. Murphy
Executive Director

